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JY GRANDMARK HOLDINGS LIMITED **景業名邦集團控股有限公司**

(於開曼群島註冊成立的有限公司)

(股份代號：2231)

發行159,284,612美元之2025年到期9.5厘優先票據
(「票據」，股份代號：4300)

刊發該等交換要約備忘錄

本公告乃根據香港聯合交易所有限公司(「聯交所」)證券上市規則(「上市規則」)第37.39A條作出。

請參閱日期為2023年12月20日的交換要約備忘錄(「交換要約備忘錄」)及日期為2024年1月10日的補充交換要約備忘錄(「補充交換要約備忘錄」，連同交換要約備忘錄，統稱為「該等交換要約備忘錄」)，本公告所附內容均有關票據發行。

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該等交換要約備忘錄並不構成向任何司法權區之公眾人士提呈出售任何證券之招股章程、通告、通函、宣傳冊或廣告，亦並非向公眾人士發出邀請以作出認購或購買任何證券的要約，且不會派發以邀請公眾人士作出認購或購買任何證券的要約。

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承董事會命
景業名邦集團控股有限公司
主席
陳思銘

香港，2024年1月12日

於本公告日期，董事會包括本公司執行董事陳思銘先生、劉華錫先生、Zheng Catherine Wei Hong女士、吳新平先生及韋妙嫦女士，本公司獨立非執行董事馬清楠先生，BBS、CStJ、J.P.、梁翔先生及胡偉亮先生。

交換要約備忘錄

IMPORTANT NOTICE

STRICTLY CONFIDENTIAL — DO NOT FORWARD — NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (THE “UNITED STATES”) OR TO ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES OR IN ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THIS EXCHANGE OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND ARE 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 Haitong International Securities Company Limited (the “Dealer Manager”) that (1) you are a holder or a beneficial owner of the Existing Notes (as defined in this exchange offer memorandum); (2) you are otherwise a person to whom it is lawful to send this exchange offer memorandum and to make an invitation pursuant to the exchange offer in accordance with applicable laws; (3) you and any person you represent or are acting for the account or benefit of are non-U.S. persons outside the United States and to the extent you acquire the securities described in the attached exchange offer memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and (4) you consent to delivery of the attached exchange offer memorandum and any amendments or supplements thereto by electronic transmission. The attached document is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The New Notes (as defined in the attached document) 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 European Economic Area (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 UNITED KINGDOM 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 (the “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 Financial Services and Markets Act 2000 (as amended, 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 the 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 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 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.

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 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.

Restriction: The attached exchange offer memorandum is being furnished in connection with an exchange offer exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the exchange of the securities described herein. You are reminded that the information in the attached exchange offer memorandum is not complete and may be changed.

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 U.S. 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 U.S. SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such 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 its respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be described to be made by the Dealer Manager or its respective 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.

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 U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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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.**



JY GRANDMARK HOLDINGS LIMITED

景業名邦集團控股有限公司

(incorporated in Cayman Islands with limited liability)

Offer to Exchange Any and All of the Outstanding 9.5% Senior Notes Due 2024

Description of Debt Securities	Outstanding Amount	ISIN/Common Code	Exchange Consideration per US\$1,000 of applicable Existing Notes (as defined herein) accepted for exchange
9.5% Senior Notes Due 2024 (the "Existing Notes")	US\$152,100,000	XS256099101/ 256099101	US\$1,000 in aggregate principal amount of New Notes (as defined below) and Capitalized Interest (as defined herein)

THIS EXCHANGE OFFER (AS DEFINED HEREIN) WILL EXPIRE AT 4:00 P.M., LONDON TIME ON JANUARY 9, 2024, UNLESS EXTENDED OR EARLIER TERMINATED AT OUR SOLE DISCRETION (SUCH DATE AND TIME, AS THE SAME MAY BE EXTENDED, THE "EXCHANGE 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, EXCEPT AS REQUIRED BY APPLICABLE LAW OR IN LIMITED CIRCUMSTANCES DESCRIBED HEREIN.

Upon the terms and subject to the conditions set forth in this exchange offer memorandum (this "exchange offer memorandum"), we, JY Grandmark Holdings Limited (the "Company"), and as the context may require, words of similar import, including "we", "us" or "our", are offering to exchange (the "Exchange Offer") any and all of the Existing Notes 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 Exchange Expiration Deadline and accepted for exchange (the "Exchange Consideration") consisting of the following:

- US\$1,000 in aggregate principal amount of the US\$ denominated Senior Notes (the "New Notes"); and
- Capitalized Interest (rounded downward to the nearest US\$1) (as defined below).

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 Guarantees and JV Subsidiary Guarantees (if any).

The New Notes to be issued are expected to have a tenor of 364 days and will bear interest at 9.5% per annum payable semi-annually in arrears, provided that the Company may elect not to make any interest payment on the first Interest Payment Date, in which case all the accrued interest on the New Notes shall be paid on the maturity date. See "Summary of the New Notes."

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 kind by increasing the principal amount of the New Notes to be issued to the Eligible Holders by the amount of such accrued and unpaid interest on the Existing Notes (such accrued and unpaid interest, the "Capitalized Interest"). For further details, see the section entitled "Summary of the Exchange Offer – Capitalized Interest".

Instructions (as defined herein) to exchange any of the Existing Notes may only be submitted in a minimum principal amount of US\$150,000 and integral multiples of US\$1 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 New Notes will be forfeited. To the extent that any Eligible Holder elects to exchange only a portion of its Existing Notes, any retained portion must be in a minimum principal amount of US\$150,000. 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 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.

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 Exchange Expiration Deadline or Settlement Date, (iv) amend the terms of the Exchange Offer or (v) modify the form or amount of the consideration to be paid pursuant to this Exchange Offer.

An Eligible Holder participating in the exchange offer will be required to certify its Investor Profile (as defined herein) when it submits Instructions for the exchange offer. See "Summary of Exchange Offer – Investor Profile Election" and "Description of the Exchange Offer – Investor Profile Election". An Eligible Holder's certification of its Investor Profile does not affect any of its entitlements with respect to the Existing Notes it holds.

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 from the date the relevant instruction is submitted until the earlier of (i) the Settlement Date or (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 TRUSTEE OF THE EXISTING NOTES AND THE NEW NOTES, THE SUBSIDIARY GUARANTORS, 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.

Application for the New Notes will be made to The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") for the listing of the New Notes by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) ("Professional Investors") only. This document is for distribution to Professional Investors only. By purchasing the New Notes, you will be deemed to have represented that you (and any person on whose behalf you are acting) are Professional Investors.

Notice to Hong Kong investors: The Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the New Notes are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the New Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the New Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the New Notes or the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This exchange offer memorandum includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and the Group. The Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) accept full responsibility for the accuracy of the information contained in this exchange offer memorandum and confirm having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Investing in the New Notes involves risks. Furthermore, investors should be aware that the New Notes are guaranteed by Subsidiary Guarantors which do not currently have significant operations and certain Subsidiary Guarantees may in some cases be replaced by limited-recourse guarantees and that there are various other risks relating to the New Notes, the Company and its subsidiaries, their business and their jurisdictions of operations which investors should familiarize themselves with before making an investment in the New Notes. See the section entitled "Risk Factors" beginning on page 18 and particularly pages 47-57 for risks relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees.

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

Haitong International

The date of this exchange offer memorandum is December 20, 2023

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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.

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PROHIBITION OF SALES TO UNITED KINGDOM 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 (the “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 UK by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (the “EUWA”); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (as amended, 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 UK 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 the Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK 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 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 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.

We, having made all reasonable inquiries, confirm that: (i) this exchange offer memorandum contains all information with respect to the Company, its 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 the Company and its 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 the Company and its subsidiaries are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Company, its 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 in any material respect; 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.

This exchange offer memorandum is highly confidential. We are providing it solely for the purpose enabling you to consider the exchange offer for the New Notes. You should read this exchange offer memorandum before making a decision whether to tender your Existing Notes for the exchange or purchase of any New Notes. You must not use this exchange offer memorandum for any other purpose, or disclose any information in this exchange offer memorandum to any other person.

We have prepared this exchange offer memorandum, and we are solely responsible for its contents. You are responsible for making your own examination of us and your own assessment of the merits and risks of tendering your Existing Notes for exchange or investing in the New Notes. By tendering your Existing Notes for exchange or purchasing the New Notes, you will be deemed to have acknowledged that you have made certain acknowledgments, representations and agreements as set forth under this exchange offer memorandum.

No representation or warranty, express or implied, is made by Haitong International Securities Company Limited (the “Dealer Manager”), China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) (the “Existing Notes Trustee” or the “New Notes Trustee”) (the “Paying Agent”, the “Registrar”, the “Transfer Agent” and their respective successors, together the “Existing Notes Agents” or the “New Notes Agents”) or D.F. King, 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, New Notes Trustee, New Notes Agents, the Existing 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, New Notes Trustee, New Notes Agents, or the Information and Exchange Agent 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 the Company, its 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 Exchange Offer, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) 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 exchange any Existing notes or sell the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), in any jurisdiction except where an offer or sale is permitted. The distribution of this exchange offer memorandum, the Exchange Offer and the offering of the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) 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 exchanges of the Existing Notes, offer and distribution of the New Notes, including the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any), 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 exchange or investment decision, you must rely on your own examination of such material documents and information, 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.

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 Exchange Expiration Deadline 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 indenture governing the Existing Notes.

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.

United States

The Exchange Offer will only be made to, and the New Notes are being offered and will be issued only to, Eligible Holders who are 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 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 (as defined in Regulation S of the Securities Act) 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.

European Economic Area

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 European Economic Area (“EEA”).

For the purposes of this provision, the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”);
- (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.

Furthermore, 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 by any person to any retail investor in the EEA. Consequently no key information document as would be required by Regulation (EU) No 1286/2014 (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.

United Kingdom

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 (the “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 UK by virtue of the European Union (Withdrawal) Act 2018, as amended by the European Union (Withdrawal Agreement) Act 2020 (the “EUWA”);

- (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (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 UK 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 UK 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

No invitation or inducement to engage in investment activity (within the meanings of Section 21 of the FSMA) received by the Initial Purchasers in connection with the issue or sale of the New Notes may be communicated or caused to be communicated except in circumstances in which Section 21(1) of the FSMA does not apply to the Initial Purchasers.

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

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.

All applicable provisions of the FSMA must be complied with in respect to anything done by any person in relation to the Exchange Offer in, from or otherwise involving the UK.

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 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 exchange offer memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”).

Accordingly, this exchange offer memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the New Notes may not be circulated or distributed, nor may the New Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA; (ii) to a relevant person 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 of Singapore; 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,

the securities or securities-based derivatives contracts (each term as defined in 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:

- (i) to an institutional investor or to a relevant person 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;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

PRC

This exchange offer memorandum may not be circulated or distributed in the PRC and the New Notes may not be offered or sold directly or indirectly to any resident of the PRC, or offered or sold to any person for reoffering or resale directly or indirectly to any resident of the PRC except pursuant to applicable laws and regulations of the PRC.

Cayman Islands

The Exchange Offer will not be made to, and the New Notes will not be offered or sold directly or indirectly to, the public in the Cayman Islands. This exchange offer memorandum does not constitute, and will not be, an offering of the New Notes to any person in the Cayman Islands.

British Virgin Islands

The Exchange Offer will not be made to, and the New Notes will not be offered or sold directly or indirectly to, the public in the British Virgin Islands. This exchange offer memorandum 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 JY Grandmark Holdings Limited (景業名邦集團控股有限公司) itself and its consolidated subsidiaries, as the context requires. In this exchange offer memorandum, references to the “Board” or “Board of Directors” refer to the board of directors of the Company.

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 directors and advisers, and neither we, the Dealer Manager nor our or its 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 RMB7.2513 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 June 30, 2023, and all translations from H.K. dollar amounts into U.S. dollar amounts were made at the rate of HK\$7.8363 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 June 30, 2023. 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.

References to “BVI” in this exchange offer memorandum are to the British Virgin Islands.

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 of the PRC. “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.

Our financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) 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 “2020”, “2021” and “2022” in this exchange offer memorandum are to our financial years ended December 31, 2020, 2021 and 2022, respectively. References to “the first half of 2022” and “the first half of 2023” are to our financial period ended June 30, 2022 and 2023, respectively.

References to “share” are to, unless the context indicates otherwise, an ordinary share, with a nominal value of HK\$0.01, in our share capital.

References to “CBRC” or “CBIRC” are to, China Banking Regulatory Commission (中國銀行業監督管理委員會), currently consolidated into the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會).

References to “EIT” are to enterprise income tax in the PRC. References to “EIT Law” are to, the PRC Enterprise Income Tax Law.

References to “MOFCOM” are to Ministry of Commerce of the PRC (中華人民共和國商務部).

References to “MOHURD” are to 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) (previously Ministry of Construction of the PRC (中華人民共和國建設部) before March 15, 2008).

References to “NDRC” are to National Development and Reform Commission (中華人民共和國發展和改革委員會).

References to “PBOC” are to People’s Bank of China (中國人民銀行).

References to “SAFE” are to the State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局).

References to “SAFE Circular No. 37” are to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investments by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on July 4, 2014.

References to “SAT” are to the State Administration of Taxation of the People’s Republic of China (中華人民共和國國家稅務總局).

References to “State Council” are to the the PRC State Council (中華人民共和國國務院).

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. Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- 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 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.

We have been advised by our Cayman Islands legal adviser, 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 a court of the United States 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.

We have been advised by our British Virgin Islands legal adviser, 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 a court of the United States against us 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 then seeking summary or default judgment on the strength of the foreign judgment, provided that the foreign judgment is for a debt or 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:

- (i) was obtained by fraud;
- (ii) was rendered by a foreign court that lacked the appropriate jurisdiction at the time (as determined by Hong Kong jurisdictional rules);
- (iii) is contrary to public policy or natural justice in Hong Kong;
- (iv) is based on foreign penal, revenue or other public law; or
- (v) falls within Section 3(1) of the Foreign Judgments (Restriction on Recognition and Enforcement) Ordinance (Chapter 46 of the Laws of Hong Kong).

We have also been advised by Jingtian & Gongcheng, 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

This glossary contains terms used in this exchange offer memorandum in connection with us. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

average selling price or ASP.....	average selling price on a salable GFA basis, unless otherwise stated
CAGR	compound annual growth rate
GFA	gross floor area
LAT	land appreciation tax (土地增值稅), as defined in the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例》) and the Detailed Implementation Rules on the Provisional Regulations of the People’s Republic of China on Land Appreciation Tax (《中華人民共和國土地增值稅暫行條例實施細則》)
mu (畝)	a unit of land measurement in the PRC. One mu is approximately 666.7 sq.m.
RevPAR.....	revenue per available room, that is the room revenue of a hotel (including related service charges) during a period divided by the Total Available Room Nights of such hotel during the same period
sq.m.	square meters
Total Available Room Nights	all room nights available for sale excluding those under renovation
Urban Renewal Policy	Urban Renewal Policy (城市更新改造政策) refers to the reform of old factories, old villages and old towns. Please see “Regulation – Regulations on Urban Renewal Policy” for details of the policy

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.

BACKGROUND AND PURPOSE OF THE EXCHANGE OFFER

During the second half of 2021, Chinese property developers and the capital markets that have funded growth and development of the sector have experienced an inflection point. Reduced bank lending for real estate development has adversely affected access by property developers to onshore capital. Buyers’ concerns about the ability of property developers to deliver projects has adversely affected property sales. In addition, the use of pre-sale proceeds is also restricted under the applicable PRC policies. Driven by these negative onshore events and austerity policies, offshore capital markets have reacted negatively, which limited our funding sources in servicing our debts.

The property sector in China has continued to experience volatility in 2023. Further tightened bank lending, coupled with certain negative credit events, has intensified market concerns over the operations of Chinese property developers. As a result, pre-sale of Chinese property developers has generally decreased. Although a series of supportive policies have been put forward by regulators since the second half of 2022, recovery of developers already in financial distress has been slow and limited so far. With the market demand remains weak, the exact timing of recovery is still uncertain. Against the backdrop of the adverse market conditions, we anticipate that the market condition in the real estate sector will remain under pressure in 2024.

We are committed to mitigating the effects of the recent adverse market conditions and striving to meet our financial commitments by prudently utilizing our existing financial resources. We strive to meet our financial commitments through, among others, extension or refinancing of our existing debt, opportunistic financing and expenditure conservation. As part of these efforts, we are now conducting the Exchange Offer. We believe the Exchange Offer will enable us to extend our debt maturity profile and improve cash flow management, which would be in the interest of all our stakeholders, including the holders of the Existing Notes.

If the Exchange Offer is not successfully consummated, we may not be able to fully repay the Existing Notes and our other efforts to meet our financial commitments may not achieve the desired effect. As such, we may have to consider alternative debt restructuring exercise.

OVERVIEW

We are a property developer, operator and property management service provider based in the PRC. We have land resources in Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces. We position ourselves as an “Eco-friendly and People-oriented Property Developer” (生態人文地產發展商), leveraging the natural resources, distinctive landscapes and features as well as rich culture of our selected project sites to develop homes and communities that we consider to be truly livable for our buyers. Ever since our incorporation in 2013, this positioning has been clear and we believe it is what differentiates our Group from other property developers in the PRC. As a young member of the industry, we had 15 completed project phases, 11 project phases under development, and held ten project phases for our future development as of June 30, 2023.

We mainly target home upgraders or purchasers looking for a second home or a vacation home, especially those who value a home in tranquil environment while still located in proximity to first-tier cities for convenience. As the consumption power of the PRC residents increases, our target customers have placed increasing importance to the quality of life and lifestyle that real properties bring about as well as the livability of the neighborhood in selecting their new homes. Meanwhile, high speed rail and highway network in the PRC are facilitating working and living across districts and expanding the “one-hour living circle” of provincial capital cities to cover their surrounding satellite towns. We believe that the combined effect of these development trends has fostered urbanization of such satellite towns. In terms of geographical market, our strategy is to focus on areas covered by China’s national development strategies, in particular, the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區) and areas covered by the Belt and Road Initiative (一帶一路) within mainland China.

In line with our positioning, we select our project sites strategically, with priority for places with iconic natural resources. For example, our first property project, JY Lychee Town (景業荔都), is located next to woods, providing mountainous landscape in the city, local fresh produces and clean air which are all valued qualities sought after by urban dwellers; our JY Hot Spring Villas (景業瓏泉灣) is situated at a famous hot spring area in Conghua, Guangzhou, for which we built a series of low-rise houses targeting vacation homebuyers and a hot spring resort which we operate; and certain phases of our JY Clearwater Bay No. 3 (景業清水灣3號) are located in proximity to the coastline or golf courses with rich greenery. Our JY Gaoligong Town (景業高黎貢小鎮) is located in hot spring geological area in Yunnan, surrounded by mountainous landscape, and our JY Maofengshan Project (景業帽峰山項目) is close to Maofengshan Forest Park. Recently, we have expanded our product portfolio into developing residential properties catering to the needs of first homebuyers, including JY Donghuzhou Haoyuan (景業東湖洲豪園) in Nansha, Guangzhou, JY Grand Garden (景業雍景園) in Qingyuan, Guangdong and JY Mountain Lake Gulf (景業山湖灣) in Zhuzhou, Hunan.

In 2020, 2021, 2022 and the six months ended June 30, 2023, revenue from our property development and sales business was RMB2,248.8 million, RMB1,932.5 million, RMB413.8 million (US\$57.1 million) and RMB271.4 million (US\$37.4 million), respectively, and the gross profit margin of our property development and sales business was 40.0%, 30.0%, 17.0% and 17.3%, respectively. As of June 30, 2023, we had a property portfolio of 36 property project phases in 11 locations with an aggregate GFA attributable to us of approximately 3.85 million sq.m., comprising completed properties available for sale or lease with an aggregate GFA of approximately 0.34 million sq.m., properties under development with an aggregate GFA of approximately 0.89 million sq.m. and properties held for future development with an aggregate GFA of approximately 2.62 million sq.m.

We endeavor to be a “360° Asset and Lifestyle Service Provider” (360°資產生活服務商) with an aim to providing all-round convenient-living services to property owners. We provide property management services to our residents and plan to provide leisure and well-being services with the development of specialty residential products such as our JY Well-being Valley in Lingao, Hainan. Moreover, we operate several hotels, including our hot spring resort as part of our JY Hot Spring Villas project and our Just Stay Hotel in Panyu, Guangzhou. We also have certain commercial properties in Panyu for investment and have acquired certain commercial properties held for sale in Zhongshan. We may retain the office and shop premises in our projects for leasing in the future.

GENERAL INFORMATION

We were incorporated in the Cayman Islands on November 2, 2018, as an exempted company with limited liability. Our shares have been listed on the Hong Kong Stock Exchange since December 5, 2019. Our principal place of business in Hong Kong is at Suites 3008-10, 30/F, Tower One, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Our head office in the PRC is at JY Grandmark Building, 198 Guanjing Road, Nancun Town, Panyu District, Guangzhou City, Guangdong Province, the PRC. Our registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our website is www.jygrandmark.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, in particular, the “Risk Factors” section. 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.”

Company JY Grandmark Holdings Limited

The Exchange Offer Upon the terms and subject to the conditions set forth in this exchange offer memorandum, we are offering to exchange any and all of our outstanding Existing Notes for the Exchange Consideration.

As of the date of this exchange offer memorandum, US\$152,100,000 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 such 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..... We intend to refinance the Existing Notes and extend our debt maturity profile to improve our debt structure.

Assuming that the Exchange Offer is consummated, and depending on market conditions, we expressly reserve our absolute right, at our sole discretion, from time to time to redeem or purchase any Existing Notes 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.

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

- (a) US\$1,000 in aggregate principal amount of the New Notes, and
- (b) Capitalized Interest (rounded downward to the nearest US\$1).

Tenor and Interest Rate of the New Notes The New Notes to be issued are expected to have a tenor of 364 days and will bear interest at 9.5% per annum payable semi-annually in arrears, provided that the Company may elect not to make any interest payment on the first Interest Payment Date, in which case all the accrued interest on the New Notes shall be paid on the maturity date. See “Summary of the New Notes.”

Capitalized Interest	The Existing Notes bear interest at the rate of 9.5% 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 kind by increasing the principal amount of the New Notes to be issued to the Eligible Holders by the amount of such accrued and unpaid interest on the Existing Notes (the “Capitalized Interest”).
Minimum Denomination of New Notes	The New Notes will be issued in minimum denominations of US\$150,000 and integral multiples of US\$1 in excess thereof. Any fractional amounts of New Notes will be forfeited.
Exchange Expiration Deadline	4:00 p.m., London time on January 9, 2024, unless extended, amended or earlier terminated at our sole discretion.
Settlement Date.....	We anticipate that the Settlement Date will occur on or about January 11, 2024, unless the Exchange Offer is extended or earlier terminated.
Exchange Website	https://sites.dfkingltd.com/JYGrandmark , the website set up by the Information and Exchange Agent for the purposes of hosting the documents relating to the Exchange Offer.
Eligible Holders.....	<p>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 “Eligible Holders”).</p> <p>By giving Instructions, Eligible Holders of 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.”</p> <p>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.</p> <p>For a description of restrictions on resale or transfer of the New Notes, see “Transfer Restrictions.”</p>
Conditions to the Exchange Offer...	<p>Our obligation to consummate the Exchange Offer is conditional upon the following:</p> <ul style="list-style-type: none"> • 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 and the Existing Notes Trustee notice of any amendments, modifications or waivers as and if required by applicable law.

Investor Profile Election..... Pursuant to the requirements of the Hong Kong Stock Exchange, an Eligible Holder is required to certify its Investor Profile when submitting its Instructions. References to “Investor Profile” are to categories of professional investors as determined pursuant to the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”). See “Summary of Exchange Offer – Investor Profile Election” and “Description of the Exchange Offer – Investor Profile Election.”

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 Exchange 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 must be submitted on behalf of each beneficial owner of the Existing Notes.

No guaranteed delivery procedures are being offered in connection with the Exchange Offer. You must tender your Existing Notes for exchange prior to the Exchange 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 Eligible Holder that gives Instructions on behalf of a beneficial holder must give separate Instructions with respect to each such beneficial holder.

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.

Any Instructions must be given with respect to Existing Notes in a minimum principal amount of US\$150,000 and integral multiples of US\$1 in excess thereof.

Upon giving Instructions with respect to any Existing Notes, those Existing Notes will be blocked and may not be transferred from the date the relevant Instruction is submitted until the earlier of (i) the Settlement Date or (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\$150,000 and integral multiples of US\$1 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; provided that, if an Eligible Holder shall elect to partially exchange its Existing Notes into New Notes, the principal amount of Existing Notes retained must be a minimum principal amount of US\$150,000.

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.

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 Exchange 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 Termination.....	<p>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; 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. We have the right, at our sole discretion, to extend the Exchange Expiration Deadline or the Settlement Date.</p> <p>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.</p> <p>In the event that the Exchange Offer is 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.</p>
Consequences of Failure to Exchange Existing Notes.....	For a description of the consequences of failing to exchange your Existing Notes, see “Risk Factors” and “Description of the Exchange Offer – Certain Consequences to Eligible Holders of Existing Notes Not Participating in the Exchange Offer.”
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.....	Haitong International Securities Company Limited
Information and Exchange Agent....	D.F. King 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.....	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Existing Notes Registrar, Existing Notes Paying and Transfer Agent.....	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
New Notes Trustee.....	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
New Notes Registrar, New Notes Paying and Transfer Agent	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司)
Clearing Systems	Euroclear and/or Clearstream (each a “Clearing System”)
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 and the Information and Exchange Agent.

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, including any updates and announcements, 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.” All dates referenced below are indicative based on the expected Original Issue Date and will be adjusted accordingly subject to changes in the Original Issue Date.

Issuer	JY Grandmark Holdings Limited (景業名邦集團控股有限公司).
Notes Offered	9.5% Senior Notes due 2025 (the “New Notes”).
Original Issue Date	Settlement Date of the Exchange Offer, which is on or about January 11, 2024.
Maturity Date	January 9, 2025.
Interest.....	The New Notes will bear interest from (and including) January 11, 2024 at the rate of 9.5% per annum, payable semi-annually in arrears, provided that the Company may elect not to make any interest payment on the first Interest Payment Date, in which case all the accrued interest on the New Notes shall be paid on the maturity date.
Interest Payment Dates	July 11, 2024 and January 9, 2025.
Ranking of the New Notes.....	The New Notes: <ul style="list-style-type: none">• are general obligations of the Company;• are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes;• rank at least <i>pari passu</i> in right of payment with the Existing Notes and all other unsecured and unsubordinated Indebtedness of the Company (subject to any priority rights of such unsecured and unsubordinated Indebtedness pursuant to applicable law);• are 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 “– Subsidiary Guarantees and JV Subsidiary Guarantees” and in “Risk Factors – Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees” of this exchange offer memorandum;• are 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• are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

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 Jingye Holdings Limited and Jingye Holdings (HK) Limited (collectively, the “Initial Subsidiary Guarantors”). Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the “Initial Other Non-Guarantor Subsidiaries”) nor those Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”) will be a Subsidiary Guarantor on the Original Issue Date. In addition, 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 at any time in the future.

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 25% 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
- will be effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries.

See “Risk Factors – Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees.”

Use of Proceeds.....	The Company will not receive any cash proceeds from the Exchange Offer.
Optional Redemption.....	At any time and from time to time, 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 and 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.

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"> • incur additional indebtedness and issue disqualified or preferred stock; • make investments, dividend payments or other specified restricted payments; • issue or sell shares or 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. <p>These covenants are subject to a number of important qualifications and exceptions described in “Description of the New Notes – Certain Covenants.”</p>
Transfer Restrictions	<p>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.”</p>
Form, Denomination and Registration.....	<p>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 common depository or its nominee. 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.</p>
Book-Entry Only.....	<p>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.”</p>
Trustee	<p>China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).</p>

Paying Agent, Transfer Agent and Registrar.....	China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司).	
Listing and Trading.....	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Notes by way of debt issues to Professional Investors only.	
Security Codes.....	ISIN	Common Code
	XS2739589161	273958916
Legal Entity Identifier.....	549300DZIZ5WPHB3IN57	
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.”	

Though there are references to “Rating Decline” in the “Description of the New Notes”, investors should note that the New Notes are not rated as at the time of this exchange offer memorandum and the Original Issue Date.

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 times 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.

Date	Event
December 20, 2023	Commencement of the Exchange Offer and announcement via the websites of the Hong Kong Stock Exchange and the Exchange Website and through Euroclear or Clearstream, as applicable. Exchange offer memorandum made available on the Exchange Website to Eligible Holders of the Existing Notes who are non-U.S. persons outside the United States.
January 9, 2024 (4:00 p.m. London time).....	Exchange Expiration Deadline. 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 Exchange Expiration Deadline	Announcement of the amount of tenders for exchange received prior to the Exchange Expiration Deadline, the amount of tenders for exchange being accepted, 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 January 11, 2024	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 and delivery of the Exchange Consideration to Eligible Holders whose Existing Notes have been validly tendered and accepted for exchange.
On or about January 12, 2024 (9:00 a.m. Hong Kong time)	Listing of the New Notes on the Hong Kong Stock Exchange.

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 Exchange Expiration Deadline at our sole discretion. In such 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. The 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 an Instruction for exchange.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statement data for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 and the summary consolidated financial position data as of December 31, 2020, 2021 and 2022 and June 30, 2023 set forth below (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our historical financial information for such years or periods and as of such dates, set forth in the audited consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and the unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2023 included elsewhere in this exchange offer memorandum. Our financial information have been prepared and presented in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which differ in certain respects from generally accepted accounting principles in other jurisdictions. Our consolidated financial statements as of and for the years ended December 31, 2021 and 2022 have been audited by PricewaterhouseCoopers, our independent auditor, in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA and the financial information for the six months ended June 30, 2023 has been reviewed by PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagement 2410 “Review on Interim Financial Information Performed by the Independent Auditor of the Entity” (“HKSRE 2410”) issued by the HKICPA. Consequently the unaudited financial information for the six months ended June 30, 2023 should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this exchange offer memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Results for interim periods are not indicative of results for the full year. Historical results are not necessarily indicative of results that may be achieved in any future period.

SUMMARY CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	Year ended December 31,				Six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(In thousands, except for percentages)						
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue.....	2,347,064	2,043,126	513,310	70,789	308,168	325,841	44,936
Cost of sales	(1,434,328)	(1,459,901)	(439,704)	(60,638)	(246,753)	(277,018)	(38,203)
Gross profit before impairment losses on completed properties held for sale and properties under development.....	912,736	583,225	73,606	10,151	61,415	48,823	6,733
Net impairment losses on completed properties held for sale and properties under development.....	-	-	(679,553)	(93,715)	(276,942)	(341,524)	(47,098)
Gross profit/(loss) after impairment losses on completed properties held for sale and properties under development.....	912,736	583,225	(605,947)	(83,564)	(215,527)	(292,701)	(40,365)
Selling and marketing expenses	(124,629)	(153,328)	(66,331)	(9,147)	(37,769)	(31,746)	(4,378)
Administrative expenses.....	(140,958)	(138,088)	(117,509)	(16,205)	(55,928)	(40,548)	(5,592)
Net impairment (losses)/reversal on financial assets	(873)	(5,837)	(36,869)	(5,084)	(2,121)	23,419	3,230
Other income.....	15,826	21,567	14,326	1,976	1,798	8,755	1,207
Other expenses	(4,105)	(1,223)	(872)	(120)	(10,125)	(139)	(19)
Other gains/(losses) – net	86,721	33,430	(200,513)	(27,652)	(4,440)	(27,590)	(3,805)
Operating profit/(loss)	744,718	339,746	(1,013,715)	(139,798)	(324,112)	(360,550)	(49,722)
Finance costs.....	(34,492)	(18,071)	(28,731)	(3,962)	(17,228)	(15,717)	(2,167)
Finance income.....	21,213	18,430	6,760	932	3,850	2,514	347
Finance (costs)/income – net	(13,279)	359	(21,971)	(3,030)	(13,378)	(13,203)	(1,821)
Share of profit/(loss) of investments accounted for using the equity method	53,071	23,634	3,037	419	4,008	(7,550)	(1,041)
Profit/(loss) before income tax.....	784,510	363,739	(1,032,649)	(142,409)	(333,482)	(381,303)	(52,584)
Income tax expense	(306,113)	(164,916)	144,824	19,972	28,094	(40,169)	(5,540)
Profit/(loss) for the year/period.....	478,397	198,823	(887,825)	(122,437)	(305,388)	(421,472)	(58,124)
Profit/(loss) attributable to:							
Owners of the Company.....	485,203	216,446	(721,859)	(99,549)	(185,787)	(377,280)	(52,029)
Non-controlling interests	(6,806)	(17,623)	(165,966)	(22,888)	(119,601)	(44,192)	(6,094)
	478,397	198,823	(887,825)	(122,437)	(305,388)	(421,472)	(58,124)
Other Financial Data							
EBITDA ⁽¹⁾	757,362	367,543	(133,751)	(18,445)	(24,839)	449	62
EBITDA margin ⁽²⁾	32.3%	18.0%	(26.1%)	(26.1%)	(8.1%)	0.1%	0.1%

Notes:

- (1) The calculation of earnings before interest, taxation, depreciation and amortization (“EBITDA”) excluded interest income/expenses; income tax expenses; depreciation and amortization of property, plant and equipment, intangible assets and rights-of-use assets; fair value gains/losses on investment properties; gains on disposal of subsidiaries and non-recurring income/expenses. EBITDA is not a standard measure under HKFRS. 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. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operation – Non-HKFRS Financial Measures*” for a reconciliation of our profit for the year or period under HKFRS to our definition of EBITDA. Also 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.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

SUMMARY CONSOLIDATED FINANCIAL POSITION DATA

	As of December 31,				As of June 30,	
	2020	2021	2022		2023	
	RMB	RMB	RMB	US\$	RMB	US\$
			(In thousands)			
					(Unaudited)	(Unaudited)
					(Unaudited)	(Unaudited)
Non-current assets						
Property, plant and equipment.....	301,807	288,664	285,510	39,374	277,155	38,221
Right-of-use assets.....	258,196	248,953	214,143	29,532	212,683	29,330
Investment properties	289,252	280,044	264,124	36,424	227,260	31,341
Intangible assets.....	2,443	3,232	3,748	517	3,213	443
Other receivables	13,805	11,634	11,563	1,595	11,554	1,593
Deferred income tax assets	100,234	176,033	349,805	48,240	344,957	47,571
Investments accounted for using the equity method.....	108,743	140,394	43,671	6,023	328	45
Total non-current assets	1,074,480	1,148,954	1,172,564	161,704	1,077,150	148,546
Current assets						
Inventories.....	1,510	1,656	1,173	162	921	127
Contract costs	18,746	39,885	120,468	16,613	130,402	17,983
Properties under development	3,714,538	7,494,460	7,330,809	1,010,965	7,197,531	992,585
Completed properties held for sale	1,680,252	1,505,612	1,347,186	185,785	1,250,129	172,401
Trade and other receivables and prepayments	1,954,427	1,299,571	1,481,623	204,325	1,397,598	192,738
Prepaid taxes	81,040	136,467	148,781	20,518	151,860	20,942
Restricted cash	323,779	1,269,375	697,625	96,207	526,248	72,573
Cash and cash equivalents	2,037,665	1,030,394	187,025	25,792	191,714	26,439
Assets classified as held for sale	–	–	–	–	35,793	4,936
Total current assets	9,811,957	12,777,420	11,314,690	1,560,367	10,882,196	1,500,723
Current liabilities						
Bank and other borrowings	1,542,827	2,238,921	1,797,073	247,828	2,702,983	372,758
Trade and other payables	1,743,259	2,392,249	1,647,784	227,240	1,430,430	197,265
Lease liabilities	5,122	5,551	4,186	577	5,573	769
Contract liabilities	1,036,001	1,565,203	2,837,108	391,255	3,126,315	431,139
Current income tax liabilities.....	348,822	430,363	393,307	54,240	384,588	53,037
Total current liabilities	4,676,031	6,632,287	6,679,458	921,139	7,649,889	1,054,968
Net current assets.....	5,135,926	6,145,133	4,635,232	639,228	3,232,307	445,756
Total assets less current liabilities	6,210,406	7,294,087	5,807,796	800,932	4,309,457	594,301
Non-current liabilities						
Deferred income tax liabilities	124,769	198,269	200,280	27,620	229,242	31,614
Bank and other borrowings	1,568,978	2,256,776	1,831,420	252,564	767,675	105,867
Lease liabilities	63,608	60,203	58,073	8,009	67,502	9,309
Total non-current liabilities.....	1,757,355	2,515,248	2,089,773	288,193	1,064,419	146,790
Net assets.....	4,453,051	4,778,839	3,718,023	512,739	3,245,038	447,511
Equity						
Equity attributable to owners of the parent						
Share capital.....	14,746	14,746	14,746	2,034	14,746	2,034
Other reserves	1,836,263	1,687,351	1,546,983	213,339	1,495,470	206,235
Retained earnings	1,184,234	1,407,730	685,381	94,518	308,101	42,489
	3,035,243	3,109,827	2,247,110	309,891	1,818,317	250,757
Non-controlling interests	1,417,808	1,669,012	1,470,913	202,848	1,426,721	196,754
Total equity	4,453,051	4,778,839	3,718,023	512,739	3,245,038	447,511

RISK FACTORS

You should carefully consider the risks and uncertainties 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. These risks can be broadly categorized as (i) risks relating to the Exchange Offer generally; (ii) risks relating to our business; (iii) risks relating to our industry; (iv) risks relating to doing business in the PRC; and (v) risks relating to the New Notes.

RISKS RELATING TO THE EXCHANGE OFFER GENERALLY

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 and the Hang Seng Bank Facility.

As the purpose of the Exchange Offer is to refinance the Existing Notes and improve our debt structure, 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 and the Hang Seng Bank Facility. See “Description of the New Notes” for details. However, the terms of our other existing indebtedness may include cross-default or cross-acceleration provisions. In addition, the events of default provision under the New Notes also carves out any involuntary case or proceeding commenced based on the Existing Notes and the Hang Seng Bank Facility under any applicable bankruptcy, insolvency or other similar law. 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 or the Hang Seng Bank Facility, because the Existing Notes, the Hang Seng Bank Facility 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. In addition, the Hang Seng Bank Facility contains a provision stipulating that the commencement of negotiation for rescheduling of indebtedness as a result of financial difficulty would result in a breach of the facility. Although we do not believe this provision would be triggered as a result of conducting the Exchange Offer as we have not breached any of our repayment obligations under the Hang Seng Bank Facility or other indebtedness, including the Existing Notes, we cannot assure you, however, that any refinancing of the Hang Seng Bank Facility in the future (if applicable) will materialize in a timely manner or at all, and that the lenders of the Hang Seng Bank Facility will agree with our view of our compliance under the Hang Seng Bank Facility.

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 – Background and Purpose of the Exchange Offer” 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. In addition to the Exchange Offer, we are also working with certain lenders on amending the repayment schedules and other terms of certain of our borrowings. There can be no assurance that we will be able to successfully amend and/or extend our various borrowings, or 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. Any such failure 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.

Although more recently, the PRC government has announced various policies with an aim to provide funding to stabilize the PRC property sector, the implementation of these policies and whether and how long these policies will be able to achieve its objectives remain to be seen.

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. 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 is consummated.

We expressly reserve the right to purchase any Existing Notes that remain outstanding after the Exchange Expiration Deadline.

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 Exchange Expiration Deadline 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 indenture governing the Existing Notes.

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 is 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 Exchange Expiration Deadline.

We may choose to terminate or amend certain parts of the Exchange Offer, but retain other aspects unchanged. In particular, we may terminate the Exchange Offer or 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.

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 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 mature on January 11, 2024. 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 a bankruptcy or similar proceedings, the holders of such earlier-maturing 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 Existing Notes who exchanged their Existing Notes for later-maturing 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 applicable 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. As a result, there may be an unusually long time during which Eligible Holders of Existing Notes may be unable to effect transfers of their Existing Notes tendered for exchange.

You are responsible for complying with the procedures of the Exchange Offer. 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 electronic instruction through Euroclear or Clearstream, as applicable. You should allow sufficient time to ensure timely delivery of the electronic 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 electronic 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, as applicable, (which may be earlier than the deadlines set forth in this exchange offer memorandum) 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 London times, unless we state otherwise.

An Eligible Holder participating in the Exchange Offer will be required to certify its Investor Profile when it submits Instructions for the Exchange Offer. An Eligible Holder's certification of its Investor Profile does not affect any of its entitlements with respect to the Existing Notes it holds.

Your Existing Notes generally will be blocked from the date of instruction until the earlier of (i) the Settlement Date and (ii) termination or modification 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 from the date of instruction until the earlier of (i) the Settlement Date, or (ii) the termination or modification of the Exchange Offer so as to result in a cancellation of such instruction, as applicable.

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 Existing Notes. 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, the Existing Notes Trustee, the Existing Notes Agents or the New Notes Trustee 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."

We have flexibility to incur debt secured by assets the security interest of which may not be shared with the Holders of the New Notes.

Although the "Limitation on Liens" covenant as described under the "Description of the New Notes" section provides that we may not create or permit to exist any liens on our assets and properties unless such liens are shared on a pari passu basis with the Holders of the New Notes, such restriction is subject to important exceptions and qualifications. The terms of the New Notes give us enhanced flexibility to make Restricted Payments, including investments, in Unrestricted Subsidiaries, minority owned joint ventures and other persons, and we have the flexibility under the terms of the New Notes to designate certain subsidiaries as Unrestricted Subsidiaries, which may have substantial assets. Unrestricted Subsidiaries themselves are not subject to the restrictive covenants under the indenture governing the New Notes and will therefore be permitted to incur debt secured by their assets, the security interest of which will not be shared with holders of the New Notes. In addition, the definition of "Permitted Liens" also gives us and our Restricted Subsidiaries flexibility to incur debt secured by certain assets, the security interest of which may not be shared with holders of the New Notes. The New Notes will therefore rank behind such secured debt to the extent of the value of such security, the amount of which may be material.

RISKS RELATING TO OUR BUSINESS

Our business is subject to extensive governmental regulation and is sensitive to property purchase restriction policy (if any) and other policy changes particularly in Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces.

The PRC government has in recent years promulgated various control measures aimed at cooling the property sector and may adopt further measures to regulate this industry. Please see “– Risks Relating to Our Industry – Our operations are subject to extensive governmental policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC property industry and in regions in which we operate.” in this section.

Up to June 30, 2023, our projects were located in Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces of the PRC. As a result, we are more susceptible to purchase restriction and other property related policies and regulations in these provinces in comparison to property developers that have projects nationwide.

Such policies and measures may have negative impact on our business. Government in the locations where we have or will have operations may not lift such purchase restrictions and may even impose more stringent purchase restrictions or other policies to stabilize the property market. In such event, our business, results of operations and financial condition may be adversely affected.

In addition, 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. Any adverse development in the condition of the property market in the PRC, or in other places where we conduct our operations, could have a material adverse effect on our business, financial condition and results of operations.

Our business and prospects depend heavily on the economic conditions in the PRC and the performance of the PRC property markets, particularly in Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces.

As of June 30, 2023, we had six completed project phases located in Guangdong province, two in Yunnan province, six in Hainan province and one in Hunan province. As of the same date, we also had six project phases under development in Guangdong province, one in Hainan province, one in Yunnan province, two in Hunan province and one in Jiangsu province. In addition to the above, we also had three project phases held for future development in Guangdong province, one in Hainan province, five in Yunnan province and one in Hunan province as of the same date. We had a total land reserve of 3.85 million sq.m. as of June 30, 2023 in these provinces. Our loss before income tax was RMB333.5 million and RMB381.3 million (US\$52.6 million), respectively, for the six months ended June 30, 2022 and 2023. Property markets in these provinces may be affected by local, regional, national and global economic and financial condition, demand for and supply of properties in local area, inflation and government policies.

There have been increasing concerns over the sustainability of growth in the real estate market in the PRC. Speculative activities in local markets, investor sentiment, availability of alternative investment choices, interest rates and availability of capital may also have significant impact on our business and prospects. Any general market downturn in the PRC or in locations in which we have or expect to have operations may result in oversupply of properties and stale housing inventory, and have material and adverse impact on our business, cash flows, financial condition and results of operations.

We may not be able to acquire land in desirable locations that are suitable for our development at commercially acceptable prices or at all.

Our sustainable growth and success depend significantly on our ability to continue acquiring additional land that is suitable for our projects at desirable locations and commercially acceptable prices. Land we acquired for our projects is primarily through acquiring companies that owned land use rights of our target sites and through land auction or listing-for-sale activities of local government in the PRC. We also acquired land for property development by cooperating with our business partners through joint venture and associated company. Our ability to acquire land depends on a lot of factors. For example, the PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Whether we can win the bidding for such land depends heavily on our ability to compete in price and project quality with other property developers.

In recent years, rapid development in locations we operate or intend to operate has also resulted in limited supply of undeveloped land at desirable locations and commercially acceptable costs to us. As we are a young property company with limited funding, where there is any substantial increase in land costs in the future, we may not be able to compete effectively with other property developers that have more financial resources than us. If we are unable to acquire land parcels for development in a timely manner or at prices that allow us to achieve reasonable return upon sales to our customers, our business, financial condition, results of operations and prospects may be materially and adversely affected.

More recently, on May 21, 2021, the Ministry of Finance (the “MOF”), the Ministry of Natural Resources, the State Taxation Administration of the PRC (the “STA”) and the PBOC jointly issued the “Notice on Relevant Issues to Allocate the Tax Administrations to Collect Four Non-tax Governmental Revenues including State-owned Land Use Rights Grant Premiums, Mineral Resources Special Revenues, Sea Area Use Premiums and Uninhabited Islands Use Premiums” (關於將國有土地使用權出讓收入、礦產資源專項收入、海域使用金、無居民海島使用金四項政府非稅收入劃轉稅務部門徵收有關問題的通知) under which, the tax administrations will be responsible for the collection of, among others, state-owned land use rights premiums. The pilot scheme has taken effect from July 1, 2021 in certain provinces and has been carried out nationwide from January 1, 2022. We cannot assure you that such scheme will not have any material impact on the regional and local government’s land grant process and other aspects of property development in general in the PRC, which may in turn adversely affect our operations in the regions affected.

We may be subject to fines or sanctions by the PRC government if we fail to pay land grant premium or fail to develop properties according to the terms of the land grant contracts or due to lack of registration of our lease.

Under PRC laws and regulations, if a developer fails to develop land according to the terms of the land grant contract (including payment of fees, designated use of land, prescribed timing for commencement and completion of development and others), the relevant government authorities may issue a warning to and impose penalty on the developer. It may also forfeit the land use rights in serious cases. Any violation of the land grant contract may result in restriction or prohibition on a developer’s qualification to participate in future land bidding.

Pursuant to relevant PRC regulations, parties to a lease agreement are required to register the lease agreements and obtain property leasing filing certificates for their leases. Failure to register the lease agreements does not affect the validity of our lease agreements under the relevant PRC laws and regulations, or our rights or entitlements to lease out the investment properties to tenants. However, we may be required by relevant government authorities to file the lease agreements to complete the registration formalities and subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The registration of these lease agreements to which we are a tenant requires additional documents to be provided by the respective landlords, which is beyond our control.

We cannot assure you that we will not experience delays in payment of land premium or violation of terms in the land use right contracts in future due to reasons beyond our control or that the other parties to our lease agreements will be cooperative and we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. If we incur fines, late payment fees or are restricted or prohibited from participating in land bidding in future, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to commence development of land within the prescribed deadline in the land use right grant contract, develop area less than a prescribed portion of the total land area, or if the total capital expenditure on land development is less than a prescribed portion of the total expected investment amount stated in the project proposal submitted to the government, or if development is suspended for over a year without government approval, the land may be treated as idle land. If so, we may be required to pay an idle land fee or even forfeit the land. Where malicious hoarding or speculation of land is involved, competent land authority will not accept any application for new land use rights, process any title transfer transaction, mortgage transaction, lease transaction or land registration application in respect of the piece of idle land before the relevant land use right holder completes required rectification procedures. As of June 30, 2023, one project site with approximately 60,877 sq.m. was identified as idle land held for development because of reasons due to local government.

We cannot assure you that circumstances leading to delays in property development and in turn, imposition of fine or even repossession of land by the government will not arise in the future due to circumstances beyond our control, or that we will not be at loss if we are to comply with the terms of the land use right grant contracts against our commercial interest. If our land is repossessed, we will not be able to continue our property development on the forfeited land, and recover the costs of development of the repossessed land and other costs incurred up to the date of the repossession. In addition, we cannot assure you that regulations relating to idle land or other aspects of land use rights grant contracts will not become more restrictive or punitive in the future. If we fail to comply with the terms of any land grant contract as a result of delays in project development, or as a result of other factors, we may lose the opportunity to develop the project, as well as our past investments in the land, which could materially and adversely affect our business, financial condition and results of operations.

Our cash inflow from, and results of, operations may vary significantly from period to period and such fluctuations may make it difficult to predict our future performance.

Our cash inflow from operations may fluctuate significantly from period to period and a comparison of different periods may not be meaningful. Further, our cash inflow for a given financial period is not necessarily indicative of cash inflow to be expected for any other financial period as it depends on the timing of our pre-sale activities.

Our results of operations may fluctuate from period to period depending on, among others, the timing of our pre-sale and sale activities, the overall development and delivery schedule of our projects, the level of acceptance of our properties by customers, our land acquisition activities, our revenue recognition policy and changes in our costs and expenses, particularly, land acquisition and development costs. We generally recognize our revenue when we deliver completed properties to our customers. Accordingly, periods in which we pre-sell a lot of properties may not necessarily be the periods in which we generate a correspondingly high level of revenue, as the pre-sold properties may not be completed and delivered within the same financial period. Our results of operations may therefore vary significantly from period to period depending on the properties sold or pre-sold and the timing of completion of the properties we sell.

We had negative net operating cash flows in the past. We may not be able to meet our contractual and capital commitments or obtain sufficient funding for our land acquisitions and future property developments whether through bank loans or other arrangements, on commercially reasonable terms, or at all.

Property development usually requires substantial capital investment during the construction period. Our cash outflow used in operating activities arise principally from cash used in operations and income taxes paid. Our projects have been generally funded through cash generated from operations including proceeds from the pre-sale and sale of our properties, bank loans and shareholder's loan. We expect to continue to fund our projects through pre-sale and sale proceeds and will look for additional financing opportunities.

However, we cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all. In 2020 and 2021, we recorded net cash used in operating activities of approximately RMB1,571.2 million and RMB1,717.8 million, respectively, which was mainly a result of cash used in operations, interest paid and taxes paid. In 2022 and the six months ended June 30, 2023, we recorded net cash generated from operating activities of approximately RMB471.1 million (US\$65.0 million) and RMB419.0 million (US\$57.8 million), respectively. For details, see "Management's

Discussion and Analysis of Financial Condition and Results of Operation – Liquidity and Capital Resources – Cash Flow” section. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had contractual and capital commitment of RMB2,375.2 million, RMB1,984.2 million, RMB1,319.3 million (US\$181.9 million) and RMB1,274.7 million (US\$175.8 million), respectively. We cannot assure you that we will not experience negative net cash flow from our operating activities in the future again. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. In particular, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

We have substantial 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 and going forward, we expect to continue to have a substantial level of borrowings. Our total borrowings as of December 31, 2020, 2021 and 2022 and June 30, 2023 were RMB3,111.8 million, RMB4,495.7 million, RMB3,628.5 million (US\$500.4 million) and RMB3,470.7 million (US\$478.6 million), respectively. Our net debt to equity ratio, calculated as net debt divided by total equity, was 16.9%, 46.0%, 73.8%, and 84.8%, respectively, as of the same dates. As of June 30, 2023, our total borrowings due within one year was RMB2,703.0 million (US\$372.8 million).

Our substantial indebtedness and high gearing could have significant implications, including, among others:

- 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 for our business expansion, working capital and 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 with lower levels of indebtedness;
- limit our ability to borrow additional funds; and
- increase our cost of additional financing.

In the future, we may from time to time incur substantial additional indebtedness and contingent liabilities to complete our projects under development and projects held for future development, in which case the risks that we face as a result of our substantial indebtedness could intensify.

Our ability to generate sufficient cash to satisfy our existing and future debt obligations and to fund our capital expenditures will depend upon our future operating performance, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, 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 for our anticipated operating expenses, fund our capital expenditures and service our debts, in which case we will be forced to adopt an alternative strategy that may include actions such as reducing or delaying property project development, disposing of assets, restructuring or refinancing indebtedness or seeking equity capital.

If we are unable to comply with the restrictions and covenants of our current or future debt and other obligations, or to pay the principal of, interest on or other amounts payable under such debt when due, there could be a default under the terms of relevant agreements, in which case the relevant creditors could accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be, or with respect to secured borrowings, enforce the security interest securing the loan. Furthermore, some of these agreements contain cross-default provisions. As a result, our default under one agreement may trigger acceleration under other financing agreements. 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 which has become due and payable, or that we would be able to find 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 rely on external contractors and suppliers to deliver our projects on time and up to our specified quality standards.

We engage external third-party construction contractors and construction material suppliers to provide us with construction related services and materials. We cannot assure you that the services rendered or materials supplied by our contractors or suppliers will always be satisfactory or meet our quality requirements. Our construction contractors may fail to provide satisfactory services or complete all construction works on schedule. If the completion of our project is delayed, we may incur additional costs including replacement of contractors or suppliers as well as potential compensation to our customers in the event of unsatisfactory quality or delay in delivery of our properties. Our cost structure and development schedule of our projects could be adversely affected which in turn could have material adverse impact on our business, cash flows, financial condition and results of operations.

There may also be shortage of contractors that meet our quality standards and other selection criteria and we may not be able to engage a sufficient number of high-quality contractors in a timely manner to accommodate our property development schedule. This may adversely affect our construction schedules and development costs.

We may not be able to complete the development or construction of our current or future projects on time, within budget or at all.

As of June 30, 2023, we had 11 project phases under development and 10 project phases held for future development. We cannot assure you that our projects under development and projects held for future development will commence pre-sale or be completed on time and within budget or at all, and failure to complete may have material adverse impact on our business, reputation, financial condition and results of operations. During the construction period, we may face cost overruns or delays caused by a number of factors, including shortages of, or price increases in, raw materials and/or skilled labor, unforeseen environmental issues, contractor default or insolvency, as well as failure or difficulties in obtaining any requisite licenses, approvals or permits from regulatory authorities. If we experience any material increase in the cost or delays in delivery, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain or may experience delays in obtaining the land use rights for redevelopment of our project land under the “Urban Renewal Policy”.

We had acquired land for project development through acquiring old factories and associated industrial land. Such land, subject to approval under the “Urban Renewal Policy” by the local government and local general planning, can be used for redevelopment into commercial and residential projects. Before redeveloping the relevant land, we are required to comply with a series of approval procedures and pay additional land premiums and/or return part of the site area to government. For details of the approval process, please see “Business – Our Property Development Business Process – Land Selection and Acquisition Process – Redevelopment under Urban Renewal Policy” in this exchange offer memorandum.

Land parcels we acquired for redevelopment comprise one project held for future development, namely JY Yingde Jinxiong Project (景業英德市金雄項目). We plan to redevelop the site into residential and commercial properties subject to approval being obtained from relevant government authorities. As of June 30, 2023, 160,314 sq.m. of land, which represented 7.7% of our total project site area attributable to us, was to be redeveloped under the “Urban Renewal Policy”.

We cannot assure you that our land reformation implementation plans will be accepted by the relevant government authorities and the governmental authorities will grant us the change of land use or issue the relevant land use rights certificates in respect of these parcels of land. There is also no assurance that the relevant government authorities will approve our applications for the change of land use in a timely manner. If we fail to obtain or experience a material delay in obtaining the land use rights for redevelopment of our project land, there may be a material adverse effect on our business, financial condition and results of operations.

Failure to obtain or material delays in obtaining or renewing requisite certificates, permits, approvals or licenses from the PRC government may adversely affect our business.

Property development as well as hotel operations industries in the PRC are heavily regulated. We are required under relevant laws and regulations of the PRC to apply to the relevant government authorities and obtain various licenses, permits, certificates and approvals to engage in property development operations, including but not limited to, qualification certificates for real property development enterprise, land use rights certificates, environmental protection evaluation and approvals, construction land planning permits, construction works planning permits, construction works commencement permits, pre-sale permits and construction works completion inspection and registration. For our hotel operations business, we are required to maintain, among others, Special Trade License, Pre-operation Fire Services Compliance Certificate for Public Places and Food Operation License for our Just Stay Resort and Just Stay Hotel. We must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit. As of the date of this exchange offer memorandum, certain of our project companies which have property development projects are in the process of applying for qualification certificates or in the process of renewing their qualification certificates.

We cannot assure you that new rules and regulations that may come into effect from time to time will not post more stringent requirements for obtaining or renewing licenses we required for our property development and hotel operations business, or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary certificates or permits for our operations in a timely manner, or at all, in the future. There were instances that we had not obtained the permits on time and been subject to the administrative penalties. In the event that we fail to obtain, renew or encounter significant delays in obtaining or renewing necessary government approvals for any of our property development projects or hotel operations, we will not be able to continue with our development plans or operation of our hotels. As a result, our business, financial condition and results of operations may be materially adversely affected.

Our financial condition and results of operations in the future may be adversely affected by our relationship with our business partners as well as the capital requirements and financial performances of our non-wholly-owned subsidiaries, joint venture and associated company.

Certain of our non-wholly-owned subsidiaries, joint venture and associated company have shareholders which are our business partners. We may continue to adopt this strategy in the future to lower our land acquisition costs. As of June 30, 2023, approximately 3,855,211 sq.m. of GFA within our land reserve located in Conghua, Huangpu, Zengcheng, Zhongshan, Qingyuan, Zhuzhou, Lingshui, Lingao, Zhaoqing Tengchong and Nanjing were held by our non-wholly-owned subsidiaries, joint venture or associated company. Their performances are expected to affect our financial condition and results of operations.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our investments in joint venture and associates amounted to RMB108.7 million, RMB140.4 million, RMB43.7 million and RMB0.3 million (US\$45,233), respectively, which were in proportion to our equity interest in such companies. Such capital contributions were mainly used to fund land acquisition and working capital requirements of such project companies. We may need to provide further capital to such project companies as the respective project proceeds. As a result, capital requirements and financial performances of these non-wholly-owned project companies may materially and adversely affect our financial condition and results of operations. We generally expect to incur share of loss in project companies until their respective projects complete and start to contribute revenue.

The financial performances of these companies in turn depend on factors which may be beyond our control and we cannot assure you that we will be able to realize the anticipated economic and other benefits from these companies. Certain matters relating to these non-wholly-owned companies and associated companies may require consent from all directors and/or shareholders under their respective articles of association and therefore involve a number of risks, including the following:

- we may not be able to pass certain important board resolutions requiring unanimous consent from all directors and/or shareholders if there is a disagreement between us and our business partners;
- we may disagree with our business partners on the scope or performance of our respective obligations under the business ventures;
- our business partners may face difficulties, or become unable or unwilling to perform their obligations, including making capital contributions;
- our business partners may have economic or business interests or goals or philosophies that are inconsistent with ours;
- our business partners may take action contrary to our requests, instructions, policies or objectives with respect to the business ventures; or
- without full control over the business and operations of the business ventures, we cannot assure you that they have been, or will be, in strict compliance with all applicable PRC laws and regulations.

Any of the above risks, if realized, may have material adverse effect on our business, results of operation and financial condition.

Deterioration in our brand image or any infringement of our intellectual property rights may materially and adversely affect our business.

We rely, to a significant extent, on our “JY Grandmark (景業名邦)” brand name and image to attract potential customers to our properties. Any negative incident or negative publicity concerning us or our properties may materially and adversely affect our reputation, financial position, business and results of operations. Brand value is based largely on consumer perceptions with a variety of subjective qualities and can be damaged even by isolated business incidents that degrade consumers’ trust. Consumer demand for our properties and our brand value could diminish significantly if we fail to preserve the quality of our properties or fail to deliver a consistently positive consumer experience, or if we are perceived to act in an unethical or socially irresponsible manner. Any negative publicity and the resulting decrease in brand value, or any failure to establish our brand in provinces and cities in which we currently operate, may have a material adverse effect on our business, financial position and results of operations. In addition, any unauthorized use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations.

Fluctuations in the labor costs and the price of raw materials could adversely affect our business and financial performance.

We have experienced fluctuations in the labor costs, and expect such costs to increase in the foreseeable future. In addition, we procure construction materials through our external construction contractors or by ourselves. The cost of construction materials, such as steel and concrete, may continue to fluctuate from time to time. As some of our major construction contracts are not fixed price contracts, we bear the risk of fluctuations in construction material prices during the term of the relevant contract when the prices exceed certain thresholds. Moreover, increases in the cost of construction materials and labor will likely prompt our construction contractors to increase their fee quotes for our new property development projects.

Furthermore, we typically pre-sell our properties prior to their completion and we will not be able to pass the increased costs on to our customers if the costs of construction materials and labor increase subsequent to the pre-sale. The increasing cost of construction materials and labor and our inability to pass cost increases on to our customers may adversely affect our financial condition and results of operations.

We are dependent on property brokerage firms for sales and marketing of our property projects and may be affected by the performance of such agencies.

We engaged external property brokerage firms for the sales and marketing of certain of our projects. Please see the section headed “Business – Our Property Development Business Process – Pre-sales and Sales and Marketing – Sales and Marketing” for more details. We expect to continue to engage property brokerage firms to conduct sales and marketing of our property projects in the future.

We cannot assure you that the property brokerage firms we engage are in compliance in all material respects with the PRC laws and regulations applicable to us or them. If any of the property brokerage firms engaged by us fails to comply with the applicable PRC laws and regulations in our sales and marketing campaigns, we may lose a portion of our customers, and our reputation and credibility, business and results of operations could be harmed. In addition, if any of the property brokerage firms engaged by us underperforms and fails to meet our sales target, or we are not able to engage suitable property brokerage firms in a timely manner, our sales may be affected and our business, financial condition and results of operations may also be adversely affected.

We provide guarantee for mortgage loans of our customers and may become liable to mortgagee banks if customers default on their mortgage loans.

We mainly derive our revenue from sales of our properties and certain of our purchasers apply for bank borrowings and mortgages to fund their purchases. As the building ownership certificates have not been issued to our customers at pre-sale stage and in line with industry practice, commercial banks require us to guarantee mortgage loans offered to purchasers of the properties that we develop. Typically, we guarantee mortgage loans for a purchaser until the earlier of (i) the issue of relevant property ownership certificate in the name of the purchaser of the property and registration of mortgage over the relevant property in favor of the bank; or (ii) the full repayment of the mortgage loan by the purchaser of the relevant property. If a customer defaults on payment of its mortgage loan, the mortgagee bank may require that we repay the entire outstanding balance of the mortgage pursuant to the guarantee. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the customer credit evaluations conducted by the mortgagee banks. These are contingent liabilities not reflected on our balance sheets.

As of June 30, 2023, our outstanding guarantees in respect of the mortgages of our customers amounted to RMB2,121.3 million (US\$292.5 million). We did not encounter any customer default that had a material adverse effect on our financial condition and results of operations as of June 30, 2023. However, we cannot assure you that we will not be subject to guarantee-related risks. Should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

We face risks related to the pre-sale of properties and claims from customers in the event the pre-sold properties are not delivered on time or up to required quality.

We make certain undertakings in our pre-sale contracts. Our pre-sale contracts and PRC laws and regulations provide for remedies for breach of these undertakings. If we fail to deliver a property that we have pre-sold in a timely manner or at all, or if there is any material quality issue in the property or the fitting out works, the purchaser may claim damages from us or even terminate his/her contract with us, as the case may be, either under the pre-sale contract or relevant PRC laws and regulations. A purchaser may also terminate his or her contract with us and/or bring claims for compensation under other terms, representations and warranties under the pre-sale contracts. Though we are typically able to claim compensation from relevant contractors pursuant to the terms of our contract with them if our breach of undertakings in our pre-sale contract is due to their fault, we cannot assure you that we will always successfully recoup full compensation from our contractors. If we experience material delays or material quality issues in properties we deliver in the future, or become liable to pay significant amount of compensation to purchaser of our properties due to contractual disputes or for other reasons, our reputation, business, financial condition and results of operations may be materially adversely affected.

Adverse changes in PRC laws and regulations with respect to pre-sale may have a material adverse effect on our business performance.

We depend on cash flows from the pre-sale of our properties as one of the sources of funding for our property development projects. Under current PRC laws and regulations, property developers are required to fulfill certain conditions before they are allowed to commence pre-sale of the relevant properties. The use of pre-sale proceeds is also subject to various restrictions, including being restricted to financing project development. On September 21, 2018, the Guangdong Real Estate Association issued the “Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses” (“Emergency Notice”), asking for opinions on the cancelation of the pre-sale system of commodity residential properties. However, there are no relevant laws or regulations implemented on this. However, we cannot assure you that the PRC government will not implement further restrictions on property pre-sale, such as imposing additional conditions for obtaining pre-sale permits or imposing further restrictions on the use of pre-sale proceeds. The adoption of any such measures may increase our cost of borrowings and reduce the availability of the Group’s funding sources going forward, which may materially and adversely affect our cash flow position. We may have to seek alternative sources of funding to finance our project development, which may not be available on commercially reasonable terms, or at all. In such event, our business, prospects, financial condition and results of operations may be materially adversely affected.

We may not be able to obtain adequate financing to fund our future land acquisitions and property development at commercially reasonable terms or at all.

Property development is capital intensive. We are expected to continue to incur a high level of capital expenditure for land acquisition and construction for the foreseeable future. We financed our property projects primarily through a combination of internally generated funds, including proceeds from pre-sales and sales of our properties and borrowings. Our ability to obtain external financing in the future and the cost of such financing are subject to uncertainties beyond our control, including the following:

- our future financial condition, results of operations and cash flows;
- the condition of the international and domestic financial markets and the availability of financing;
- changes in the monetary policies of the PRC government with respect to bank interest rates and lending practices; and
- changes in policies regarding regulation and control of the property market.

In addition, tightened government control over financing available to property developers, together with rising land, raw material and labor costs, could materially and adversely affect our ability to raise capital to fund our business expansion. For example, the PRC government has in the past taken a variety of policy initiatives in the financial sector to tighten lending to property developers including, among other things:

- forbidding PRC commercial banks from extending loans to property developers to finance land premiums;
- restricting PRC commercial banks from extending loans for the development of luxury residential properties;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land or vacant commodity properties;
- restricting the grant or extension of revolving credit facilities to property developers that have a history of being included in land-related abuses, including misconduct related to changing the use of land, postponing construction or completion of projects or hoarding property;
- prohibiting commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;

- forbidding property developers from using borrowings obtained from any local banks to fund property developments outside that local region;
- restricting private equity and asset management plans to make investments into ordinary residential property projects located in certain popular cities such as Beijing, Shanghai, Guangzhou and Shenzhen; and
- prohibiting the use of private equity products to finance property developers, including paying land grant fees, providing working capital loans and down payment facilities.

In addition, PBOC regulates the lending rates and reserve requirement ratios for commercial banks in the PRC by adjusting them from time to time. The reserve requirement refers to the amount of funds that banks must hold in reserve with PBOC against deposits made by their customers. Increases in the bank reserve requirement ratios may negatively affect the amount of funds available to commercial banks in China to lend to businesses, including us. In recent years, PBOC has increased the benchmark lending rates and bank reserve requirement ratios multiple times to curtail the overheating of the PRC property sector. Since August 16, 2019, commercial banks shall use the loan prime rate published by the National Interbank Funding Centre of the PRC for pricing lending interest rates. The current reserve requirement ratio ranges from 10% to 12%. In August 2020, the Ministry of Housing and Urban-Rural Development of the PRC (“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.

Effective from January 1, 2021, PRC banks (excluding their overseas branches) are required to limit the amount of real estate loans and personal housing mortgage loans they lend to the proportions determined by PBOC and the China Banking and Insurance Regulatory Commission (“CBIRC”, the successor of the China Banking Regulatory Commission or CBRC) and calculated based on the total amount of RMB loans extended by such PRC banks. We cannot assure you that PBOC will not further raise lending rates or reserve requirement ratios or PBOC and CBIRC will not further restrain the amount of real estate loans PRC banks can extend to businesses in the future, or that our business, financial condition and results of operations would not be adversely affected as a result of these adjustments.

On January 1, 2021, the PBOC, together with the CBRC, set forth the capped ratios of the amount of outstanding real estate loans to the total outstanding amount of RMB denominated loans of a PRC financial institution. This ratio currently ranges from 12.5% to 40.0%. On March 26, 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of 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, credit demand review, loan term management, loan collateral management, 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.

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.

Moreover, 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.

If we are unable to make scheduled payments in connection with our debt and other fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. If financial institutions decline to lend additional funds to us or to refinance our existing loans when they mature as a result of our credit risk and we fail to raise financing through other means, our financial condition, cash flow position and business prospects may be materially and adversely affected. You may find additional information in respect of the key terms of our other material indebtedness under the section entitled “Description of Other Material Indebtedness.” We cannot assure you that we will be able to maintain the relevant financial ratios from time to time nor that we will not default. If we are unable to obtain forbearance or waiver arrangements with the relevant lenders and upon occurrence of any default, event of default or cross-default in the future, it could lead to, among other things, an acceleration in our debt financing obligations, which could in turn have a material and adverse effect on our financial condition.

For further information on real-estate financing, see “Regulation – The Laws and Regulations of the PRC – Regulations on Real Estate Financing”. The above measures and other similar government actions and policy initiatives have limited our ability and flexibility in using bank loans and other financing arrangements to finance our property development projects. Should the PRC government introduce similar additional initiatives, we may not be able to secure adequate financing or renew our existing credit facilities prior to their expiration on commercially reasonable terms or at all.

We are subject to risks associated with certain covenants or restrictions under our bank borrowings and other financing arrangements which may adversely affect our business, financial condition and results of operations.

We are subject to certain restrictive covenants in the loan contracts between us and certain banks and other arrangements entered into by us, including the indenture for the New Notes, which may, for instance, restrict our operating subsidiaries from paying dividends without prior consent or prescribe the maximum gearing ratio. We may also be required to seek the consent of relevant banks to carry out mergers, restructurings, spin-offs, reductions in registered capital, transfer or liquidation of material assets, provide guarantees to third parties, to change our shareholding or management structures or set up new joint ventures. See “Description of Other Material Indebtedness” for details.

Should we fail to abide by these provisions, our lenders may be entitled to accelerate repayment of the relevant loans. Such loan agreements may also contain cross-default clauses such that relevant banks may accelerate the repayment of all or part of the relevant loans and recover against the security we provided if we breach any of our loan agreements. If we fail to observe such restrictive covenants and relevant banks demand repayment of relevant loans, our business, financial condition and results of operations could be materially and adversely affected.

We may be liable to our customers for damages if property ownership certificates are not delivered to our customers in a timely manner due to our fault.

According to applicable PRC laws and regulations, in the absence of a prescribed time frame in the sale or pre-sale contract with customers, property ownership certificates shall be obtained within 90 days of delivery of the completed property in the case of pre-sale, or within 90 days of execution of the sales contract for completed property. In line with industry practice, property developers, including us, generally assist purchasers of properties to obtain the relevant individual property ownership certificates and elect to specify the deadline for the delivery of the certificate in the sales contract. Under current regulations, we are required to submit

requisite governmental approvals in connection with our property developments, including land use rights documents and planning permits, to the local bureau of national land resources and housing administration after receipt of the completion and acceptance certificate for the relevant properties and apply for the property ownership initial registration in respect of these properties.

We are then required to submit after delivery of the properties, the relevant sales contract, identification documents of the purchasers, proof of payment of deed tax, for the relevant local authority's review and the issuance of the individual property ownership certificates in respect of the properties purchased by the respective purchasers. Delays by the various administrative authorities in reviewing the application and granting approval as well as other factors may affect timely delivery of the general as well as individual property ownership certificates. There can be no assurance that we will not incur material liability to purchasers in the future for the late delivery of individual property ownership certificates due to our fault or for any reason beyond our control.

Our expansion into new geographical markets presents certain risks and uncertainties.

In order to achieve sustainable growth, we may eventually commence operations in regions in the PRC where we had no operations. We may face intense competition from developers with established experience or presence and from other developers with similar expansion plans, particularly in geographic locations with sufficient growth potential. Due to lack of local knowledge and experience, we may face challenges not previously encountered and may fail to recognize or properly assess risks or take full advantage of opportunities.

Furthermore, our experience in existing markets and our business model may not be readily transferable to, and replicated in, new geographic regions. The property markets in new geographic regions may be different from the geographic regions in which we currently operate in terms of the level of local economic and industrial development, local governmental policies and support, market demand for our properties and development cycles. We may not have the same level of familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced property developers in such cities, which may put us in a disadvantageous position. We may have also limited ability to leverage our established brands and reputation in new markets in the way we have done in our existing geographical markets. Furthermore, the administrative, regulatory and tax environments in our target regions may be different and we may face additional tax and regulatory expenses or difficulties in complying with new procedures. We may also have to engage new local contractors and suppliers for our operations, the quality and credibility of which we are not familiar with. We cannot assure you that we will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. We may also experience difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

There is uncertainty about the recoverability of our deferred tax assets, which may affect our financial position and results of operations in the future.

We had deferred income tax assets of RMB100.2 million, RMB176.0 million, RMB349.8 million (US\$48.2 million) and RMB345.0 million (US\$47.6 million) as of December 31, 2020, 2021 and 2022 and June 30, 2023, respectively. Deferred tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefits through future taxable profits is probable. We periodically assess the probability of the realization of deferred income tax assets, using significant judgments and estimates from our management with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. However, there is no assurance that our expectation of future earnings could be accurate due to factors beyond our control, such as general economic conditions and negative development of regulatory environment, in which case, we may not be able to recover our deferred income tax assets which thereby could have an adverse effect on our financial position and results of operations.

Our financial condition and results of operations may be materially impacted by gains or losses arising from changes in the fair value of our investment properties.

We are required to reassess the fair value of any investment properties that we hold. After initial recognition, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the

fair value of any such investment properties will affect our results of operations in the periods in which they arise and the impact may be significant. The fair value gains on our investment properties in 2020 were RMB68.0 million. The fair value losses on our investment properties in 2021 and 2022 and the six months ended June 30, 2023 were RMB9.2 million, RMB15.9 million (US\$2.2 million) and RMB4.0 million (US\$0.6 million), respectively. We cannot assure you that we can recognize comparable fair value gains in investment properties in the future and we may also recognize fair value losses, which would impact our results of operations for future periods. Fair value gains in investment properties would not change our cash position as long as these properties are held by us, and thus would not increase our liquidity in spite of the increased profit. Nevertheless, fair value losses in investment properties would have a negative effect on our results of operations, even though such losses would not change our cash position as long as these properties are held by us.

Our results of operations, financial condition and prospects may be adversely affected by impairment loss for properties under development and completed properties held for sale.

The volatility of the real estate market may subject us to risks in connection with possible impairment losses for properties under development and completed properties held for sale, if we fail to complete the construction and sell the properties in time at our desired prices. Impairment losses may arise when the carrying value of a property exceeds its recoverable amount. Although we did not record any impairment losses for properties under development and completed properties held for sale, we cannot assure you that we may not incur impairment losses, if any or at similar level, during adverse market conditions in the future. If we incur such impairment losses, our results of operations, financial condition and prospects may be adversely affected.

We incur maintenance and operating costs in operating our hotels, which may increase.

Our Just Stay Hotel and Just Stay Resort utilize a large amount of utilities such as gas, water and electricity. We are generally not able to influence the prices which utility providers charge, nor can we easily switch to different utility providers. Any price increase or change in the pricing structure from these utility providers could have an adverse effect on our operating costs. As a result, increases in the prices of products and services which we procure to maintain our services to our hotel guests could increase our operating costs if we are not able to pass these higher costs onto our customers.

In addition, operating our hotels, as well as the restaurants and other associated facilities within the hotels, involves a significant amount of fixed costs, including maintenance and upkeep costs as well as employee and staff salaries and expenses. These fixed costs limit our ability to respond to adverse market conditions by minimizing costs. Such limitations may have an adverse impact on our profitability when the hotel industries experience a downturn and may exacerbate the impact of a decline in occupancy rates, room rates or demand for our restaurants and catering facilities. Any significant increase in maintenance costs and operating costs may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our hotels may encounter temporary closures, reduced turnover or lower occupancy rates as a result of repairs, refurbishments, renovations or upgrades of the properties or neighboring properties, or local epidemic containment measures.

Our hotels may require repairs and refurbishments which may require significant capital expenditures. Our hotels may also need to undergo redevelopment or renovation works from time to time to retain their attractiveness and may also require maintenance or repairs. Such repairs, refurbishments, redevelopments, renovations or upgrades of our hotels may impact on our ability to attract guests and customers for our restaurants and facilities at our hotels. In some circumstances, such repairs, refurbishments, redevelopments or renovations may require the temporary closure of our hotels or the restaurants or other facilities within the hotels. As a result, during the period of any such repairs, refurbishments, redevelopments, renovations or upgrades, we may experience a reduction in occupancy rates and/or average room rates of our hotels, and/or the number of customers using our restaurants and catering facilities.

In addition, buildings neighboring any of our hotels may be demolished or redeveloped for alternative uses, which may cause disruption to our hotel operations. This may in turn negatively impact the revenue, attractiveness and valuation of our hotels. Moreover, any development or redevelopment of neighboring properties could add properties that compete with our hotels. Furthermore, our hotels may be required to be closed as part of any epidemic containment measures. The occurrence of any of the above circumstances could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our commercial property investment and property management businesses might subject us to a variety of risks.

We are subject to risks incidental to the ownership and investment of commercial properties, including volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from on-going maintenance and repairs and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. 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 our rental income, which may have an adverse effect on our business, financial condition and results of operations.

The performance of our property management business depends on various factors, including our ability to provide professional and quality property management services, collect property management fees and control our costs, in particular, labor costs. We are generally paid fixed management fees for our services regardless of the actual costs we incur. In addition, management fees may also be subject to price range set by applicable government guidance. In the event that the property management fees we charge are insufficient to cover our costs and if we are unable to increase such fees in response to cost increases, there could be adverse effect on our financial condition and results of operations. Alternatively, if we seek to reduce costs, we may not be able to maintain the quality of our property management services, which may similarly affect our reputation, 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 shops and fitness centers. The occurrence of one or more accidents, injuries or prohibited activities at any of our investment properties could adversely affect our reputation, decrease our overall rents and occupancy rates and increase our costs for restoring our reputation. 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.

Investment in real properties is relatively illiquid, and we may not be able to sell such investment properties at prices or on terms satisfactory to us, or at all.

We selectively retain the ownership of certain properties with strategic value as investment properties for commercial investment and rental income. We have also contracted to acquire certain commercial properties which will be held for sale. In general, investment in real properties in the PRC is relatively illiquid compared with other forms of investment. In the event that we need to dispose of certain investment properties because of changes in economic, financial and investment conditions, we cannot assure you that we will be able to sell such investment properties at market prices or on terms satisfactory to us, or at all.

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

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 the 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 Office of Civil Air Defense of the PRC on November 1, 2001, after obtaining the approval from the civil air defense supervising authority, a developer can manage and use such areas designated as civil air defense areas in times of peace and generate profits from such use. Such areas were used as car parks. 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 defense area of our projects is used by the public, we may not be able to use such area as car parks. In addition, while our business operations have complied with the laws and regulations on civil defense areas 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. As of June 30, 2023, we had civil defense areas in (i) eight completed project phases, with an aggregate GFA of 45,205 sq.m., (ii) nine projects under development, with aggregate GFA of 65,998 sq.m., and (iii) one project phase held for future development, with the GFA of 14,765 sq.m. which were primarily used or to be used as car parks, representing an insignificant portion of our property portfolio.

Changes in interest rates have affected and will continue to affect our financial costs and, ultimately, our results of operations.

We have incurred and expect to continue to incur a significant amount of interest expenses relating to our borrowings from commercial banks. Accordingly, changes in interest rates have affected and will continue to affect our financing costs, which in turn may affect our profitability and operating results. As our borrowings are in RMB, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have gradually decreased in recent years. The weighted average effective interest rates on our bank and other borrowings excluding senior notes in 2020, 2021 and 2022 and the six months ended June 30, 2023 were 6.2%, 6.4%, 6.5% and 7.5%, respectively. Our total borrowing costs incurred in 2020, 2021 and 2022 and the six months ended June 30, 2023 were RMB269.1 million, RMB242.5 million, RMB323.7 million (US\$44.6 million) and RMB158.3 million (US\$21.8 million), respectively. Any future increases in the PBOC benchmark interest rate as a result of government policies may lead to higher lending rates, which may increase our financing costs and thereby adversely affect our business, financial condition and results of operations.

In addition, increases in interest rates may affect our customers' ability to secure mortgages on acceptable terms, which in turn may affect their ability to purchase our properties.

Our provision for Land Appreciation Tax may be insufficient which could adversely affect our financial results.

Our properties developed for sale are subject to Land Appreciation Tax ("LAT"). Under the PRC tax laws and regulations, all income derived from the sale or transfer of land use rights, buildings and their ancillary facilities in the PRC is subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value. LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. We make provisions for the estimated full amount of applicable LAT in accordance with the relevant PRC tax laws and regulations from time to time pending settlement with the relevant tax authorities. As we often develop our projects in phases, deductible items for the calculation of LAT, such as land costs, are apportioned among different phases of development. Provisions for LAT are made on our own estimates based on, among other things, 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 such provisions each year as required by the local tax authorities. In 2020, 2021 and 2022 and the six months ended June 30, 2023, we recorded PRC LAT expenses of RMB127.1 million, RMB58.7 million, RMB15.2 million (US\$2.1 million) and RMB0.8 million (US\$0.1 million), respectively. As of June 30, 2023, we had not had any disagreement with the relevant government authorities with respect to our LAT calculations. However, given the time gap between the point at which we make provision for and the point

at which we settle the full amount of LAT payable, we cannot assure you that the relevant tax authorities will always agree with our calculation of LAT liabilities, nor can we assure you that the LAT provisions will be sufficient to cover our LAT obligations in respect of our past LAT liabilities. If the relevant tax authorities determine that our LAT liabilities exceed our LAT prepayments and provisions, and seek to collect that excess amount, our cash flow, results of operations and financial condition may be materially and adversely affected. In addition, as we continue to expand our property developments, we cannot assure you that our provision for LAT obligations based on our estimates in new markets will be sufficient to cover our actual LAT obligations. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict our cash flow position, our ability to finance our land acquisitions and to execute our business plans. In May 2023, we received a notice from Lingshui County Taxation Bureau of the State Administration of Taxation that one of our subsidiaries was overdue in paying LAT in an aggregate amount of approximately RMB50.5 million. As of the date of this exchange offer memorandum, we still have outstanding LAT in an aggregate amount of approximately RMB47.5 million.

We are a holding company and rely primarily on dividends paid by our subsidiaries, joint venture companies and associate companies to fund any cash and financing requirements. Our ability to pay dividends and utilize cash resources in our subsidiaries, joint venture companies and associate companies therefore depend on their earnings and distributions.

We are a holding company and we conduct our business operations primarily through our subsidiaries and associate companies in the PRC. Our ability to make dividend payments and other distributions in cash, to pay expenses and finance other subsidiaries depends upon the receipt of dividends, distributions or advances from our subsidiaries, joint venture companies and associate companies. The ability of our subsidiaries, joint venture companies and associate companies to pay dividends or other distributions may in turn be subject to their earnings, financial position, cash requirements and availability of cash. Certain of our subsidiaries or associate companies that have incurred indebtedness in its own name are restricted from paying dividends or other distributions.

Declaration of dividends by joint venture companies and our associate companies is at the absolute discretion of the boards of our associate companies. Payments of dividends by our subsidiaries and associate companies are also subject to restriction under the PRC laws. In addition, if our subsidiaries or associate companies obtained loan from banks, they may be restricted from making distributions to us due to restrictive financial covenants contained in relevant loan and banking facilities agreements. As of the date of this exchange offer memorandum, some of our PRC subsidiaries are subject to restrictions on dividend payment as set out in their financing agreements. Such subsidiaries did not have distributable profit as of June 30, 2023. Any of the above factors may affect our cash inflow and ability to pay dividends. As we expect to continue to invest in subsidiaries, joint venture companies and associate companies for our property development projects, our liquidity may be further restricted if we are not able to receive dividends from our existing or future subsidiaries or associate companies, which may in turn could materially and adversely affect our ability to conduct our business.

Our inability to attract, retain or secure key management and qualified personnel for our operations could hinder our continuing growth and success.

Our success depends on the services and efforts of our Directors, key management and other employees and our ability to continue to attract, retain and motivate qualified personnel to a significant extent. We compete with other property developers for experienced management and other qualified personnel, and the competition for such personnel is intense. There can be no assurance that we will be able to continue to attract and retain the qualified employees essential for our growth. The loss of services of any employee holding an important position or possessing industry expertise or experience, including those in charge of project management, product design and planning, construction, sales and marketing, and accounting and finance, could have a material adverse effect on our operations. Under such circumstances, if we are unable to recruit and retain replacement personnel with the equivalent qualifications in time or at all, our growth and success could be adversely affected. For details of our key management, see “Management” section in this exchange offer memorandum.

The appraised value of our properties may be different from their actual realizable value and are subject to change.

The appraised value of our properties is based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties and land reserves is based, include that we sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests; no allowance has been made for any charges, mortgages or amounts owing neither on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale; we have paid all land premium payments that are due and other costs such as ancillary utilities services in full and save as disclosed in this exchange offer memorandum, there is no requirement for payment of any further land premium or other onerous payments to the government; our properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

If we fail to obtain the approvals from regulators necessary for the development of our projects, some assumptions used in appraising the value of our properties will prove inaccurate. Therefore, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of our property projects as well as national and local economic conditions may affect the value of our property holdings as well as the realizable value of our properties. If the actual realizable value of our properties and/or the value of our property holdings is substantially lower than their appraised value, there may be a material adverse effect on our business, results of operation and financial condition.

Our current insurance coverage may not be adequate to cover all risks related to our operations.

Consistent with what we believe to be the industry norm for the property development industry in the PRC, we do not maintain insurance coverage against destruction of or damage to our properties, no matter whether they are under development or held for sale other than those over which our lending banks have securities interests or for which we are required to maintain insurance coverage under the relevant loan agreements. In addition, we do not maintain insurance against any liability arising from allegedly tortious acts committed on our work sites. If we suffer any losses, damages or liabilities in the course of our business operations, we may not have adequate insurance coverage to provide sufficient funds to cover any such losses, damages or liabilities or to replace any property that has been destroyed. Therefore, there may be instances when we will sustain losses, damages and liabilities because of our lack of insurance coverage, which may in turn adversely affect our financial condition and results of operations.

Our business, results of operations, financial condition and prospects may be adversely affected as a result of negative media coverage relating to us or the property market in which we operate.

We may be subject to and associated with negative publicity, including those on the Internet, with respect to our corporate affairs and conduct related to our personnel. The property market in which we operate may also be subject to negative reports or criticisms by various media, including in relation to incidents of fraud and bribery. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Nonetheless, any negative coverage, whether or not related to us or our related parties and regardless of truth or merit, may have an impact on our reputation and, consequently, may undermine the confidence of our customers and investors, which may in turn materially and adversely affect our business, results of operations, financial condition and prospects.

Potential liability for environmental damages could result in substantial cost increases.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. The particular environmental laws and regulations that apply to any given project development site vary according to the site's location, the site's environmental condition, the present and former uses of the site and the nature and former uses of adjoining properties. Compliance with environmental laws and regulations may result in delays in development, substantial costs and may prohibit or severely restrict project development activity in environmentally sensitive regions or areas. Under PRC laws and regulations, we are required to submit an environmental impact assessment report to the relevant governmental authorities for approval before commencing construction of any project. Although the environmental inspection conducted by the relevant PRC environmental protection agencies to date have not revealed any environmental violations that we believe would

have a material adverse effect on our business, results of operations or financial condition, there may be potential material environmental liabilities of which we are unaware. In addition, our operations could result in environmental liabilities or our contractors could violate environmental laws and regulations in their operations that may be attributed to us. For more information, see “Business – Environmental” in this exchange offer memorandum.

We may be involved in disputes, legal and other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may be involved in disputes with various parties involved in the development and the sale of our properties, including contractors, suppliers, construction workers, tenants, property sales agents, original residents, residents of surrounding areas, partners and purchasers. These disputes may lead to protests, legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management’s attention. As most of our projects are comprised of multiple phases, purchasers of our properties in earlier phases may file legal actions against us if our subsequent planning and development of the projects are perceived to be inconsistent with our representations and warranties made to such earlier purchasers. In addition, we may have disagreements with regulatory bodies in the course of our operations, which may subject us to administrative proceedings and unfavorable decrees that may result in liabilities and cause delays to our property developments. We may also be involved in disputes or legal proceedings in relation to delays in the completion and delivery of our projects or delays in the payment of land premium.

We are not engaged in any litigation or arbitration of material importance and we are not aware of any material litigation or claim pending or threatened by or against us. However, we cannot assure you that we will not be engaged in any litigation or arbitration of material importance in the future. Although we have purchased insurance policies to cover potential litigation or arbitration claims, such claims may fall outside the scope or limit of our insurance coverage and our financial condition and results of operation may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

Our operations are subject to extensive governmental policies and regulations and, in particular, we are susceptible to adverse changes in policies related to the PRC property industry and in regions in which we operate.

Our business is subject to extensive governmental regulation and, in particular, we are sensitive to policy changes in the PRC property sector. 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 setting interest rates, controlling the supply of credit by changing bank reserve ratios and implementing lending restrictions, increasing tax and duties on property transfers and imposing restrictions on foreign investment and currency exchange. In addition, the PRC government has also introduced policies to specifically restrain property purchases for speculation purposes and refrain property prices from rising too quickly in certain cities in the PRC. The PRC government has also imposed requirements for pre-sales and restrict the use of funds raised by pre-sales. All the above policies measures were implemented with an aim to curb demand for properties and make the property development more costly. More recently, there were reports that the PRC government may start to restrict financing available to property developers by reference to leverage ratios such as liabilities to assets ratio, net gearing ratio and cash to short-term borrowings ratio. On December 31, 2020, PBOC and CBRC jointly promulgated the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (關於建立銀行業金融機構房地產貸款集中度管理制度的通知), which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution. A relevant financial institution will have a transition period of two years or four years to comply with the requirements depending on whether such financial institution exceeded 2% of the legal proportion based on the statistical data relating to such financial institution as of December 31, 2020. Effective from January 1, 2021, PRC banks (excluding their overseas branches) are required to limit the amount of real estate loans and personal housing mortgage loans they lend to the proportions determined by PBOC and CBIRC and calculated based on the total amount of RMB loans extended by such PRC banks. Please see “Regulation – The Laws and Regulations of the PRC – Regulations on Real Estate Transfer and Sale – Measures on Stabilizing Housing Price” and “Regulation – The Laws and Regulations of the PRC – Regulations on Real Estate Financing” for details of the policies and regulations.

There is no assurance that the PRC government will not enhance or impose additional or other types of restrictive policies, regulations or measures in future. The existing and other future restrictive measures may limit our access to capital, reduce market demand for our products and increase our finance costs. Any easing measures introduced may also be insufficient. If we fail to adapt our operations to new policies, regulations and measures that may come into effect from time to time with respect to the real property industry, or such policy changes negatively impact our business, our financial condition, results of operations and prospects may be materially and adversely affected.

Property development business is subject to claims under statutory quality warranties, and if a number of claims are brought against us under our warranties, our reputation, business, results of operation and financial condition may be materially and adversely affected.

Under 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》) enacted by the State Council on July 20, 1998 and amended on January 8, 2011, March 19, 2018, March 24, 2019 and last amended on November 29, 2020, and the Regulation for the Administration of Sales of Commodity Buildings (《商品房銷售管理辦法》), which went into effect on June 1, 2001, all property developers in the PRC must provide certain quality warranties for the properties they construct or sell. Generally, we receive quality warranties from third-party contractors with respect to our property projects. If a large number of claims were brought against us under our warranties and if we were unable to obtain reimbursement for such claims from third-party contractors in a timely manner or at all, or if the money retained by us to cover our payment obligations under the quality warranties was not sufficient, we could incur expenses to resolve such claims or face delays in remedying the related defects, which could in turn harm our reputation, and adversely affect our business, financial condition and results of operations.

The PRC property market is volatile.

The PRC property market is volatile and may experience under-supply or oversupply of property and significant price fluctuations. Our business depends and will continue to depend on the growth of the economy and property market in the PRC. A significant downturn in the PRC economy or property market could adversely affect the demand for residential and commercial properties.

The PRC central and local governments frequently adjust monetary, fiscal or other economic policies to prevent and curtail the overheating property market, as well as the economy, which may also in turn affect the PRC property market. Such policies may lead to changes in market conditions, including price instability and an imbalance of supply and demand in respect of residential and commercial properties, which may materially adversely affect our business, results of operation and financial condition. We cannot assure you that there will not be over-development in the PRC property markets, which may in turn cause oversupply of properties that depress sale prices and rent. Over-development in the PRC property markets may result in under-supply of potential development sites or increase in land acquisition costs in the markets in which we operate. Such effects may adversely affect our business, financial condition and results of operations.

The PRC property industry is highly competitive.

There are a large number of property developers in the PRC and we expect the level of competition to increase over time. Intense competition among property developers in China for land, financing, construction materials and skilled management and human resources may result in increased cost for land acquisition and construction, an oversupply of properties available for sale, a decrease in property prices, a slowdown in the rate at which new property developments are approved or reviewed by the relevant PRC government authorities and an increase in administrative costs for hiring or retaining qualified contractors and personnel.

Many of our competitors, including foreign developers and top-tier domestic developers, may have more financial or other resources than us. If we fail to compete effectively, our business, prospects financial condition and results of operations may be materially adversely affected.

We may be adversely affected by fluctuations in the global economy and financial markets.

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.

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. There are talks of trade tariffs on goods imported from China to the United States and a possibility of a trade war between the United States and China if negotiations fail to resolve trade issues amicably. 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 ceased to be a member of the European Union on January 31, 2020 (“Brexit”). During a prescribed period (the “Transition Period”), 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”); and, on December 30, 2020, the Council of the European Union adopted a decision authorizing the signature of the TCA and its provisional application for a limited period between January 1, 2021 to February 28, 2021, pending ratification of the TCA by the European Parliament (the “Provisional Period”). The Provisional Period may be extended by mutual agreement between the EU and the UK. Legislation to implement the TCA in the UK came into effect beginning on December 31, 2020. The Transition Period ended on December 31, 2020 and the Provisional Period is now in effect. 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. 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. Such 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 and financial market turmoil have adversely affected, and may continue adversely affecting, homeowners and potential property purchasers, which may lead to a decline in the general demand for our products and erosion of their sale prices. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets crisis continue, our business, financial condition and results of operations may be negatively affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in the PRC’s political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.

Substantially all of our assets are located in the PRC and substantially all of our revenue is sourced from the PRC. Accordingly, to a significant degree, our results of operations, financial position and prospects are subject to the economic, political and legal developments of the PRC.

The economy of the PRC differs from the economies of most developed countries in many respects, including but not limited to the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

Although the PRC government has implemented measures since the late 1970s emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Certain measures taken by the PRC government to guide the allocation of resources may benefit the overall economy of China but may, however, also have a negative effect on us. For example, our business, financial condition, results of operations and prospects may be adversely affected by government control over capital investments, changes in tax regulations that are applicable to us, change in interest rates and statutory reserve rates for banks or government control in bank lending activities.

China's economic growth may also slow down due to weakened exports as a result of tariffs and trade tensions caused by the U.S.-China trade war. In 2018 and 2019, the U.S. government, under the administration of President Donald J. Trump, imposed several rounds of tariffs on cumulatively US\$550 billion worth of Chinese products. In retaliation, the PRC government responded with tariffs on cumulatively US\$185 billion worth of U.S. products. In addition, in 2019, the U.S. government restricted certain Chinese technology firms from exporting certain sensitive U.S. goods. The PRC government lodged a complaint in the World Trade Organization against the U.S. over the import tariffs in the same year. The trade war created substantial uncertainties and volatilities to global markets. On January 15, 2020, the U.S. and Chinese governments signed the U.S.-China Economic and Trade Agreement (the "Phase I Agreement"). Under the Phase I Agreement, the U.S. agreed to cancel a portion of tariffs imposed on Chinese products, China promised additional purchases of U.S. goods and services, and both parties expressed a commitment to further improving various trade issues. Despite this reprieve, however, it remains to be seen whether the Phase I Agreement will be abided by both governments and successfully reduce trade tensions. If either government violates the Phase I Agreement, it is likely that enforcement actions will be taken and trade tensions will escalate. Furthermore, additional concessions are needed to reach a comprehensive resolution of the trade war. The roadmap to the comprehensive resolution remains unclear, and the lasting impact the trade war may have on China's economy and the real estate industry remains uncertain.

In addition, demand for and sales of our properties and our business, financial condition and results of operations may be adversely affected by:

- changes in connection with any negative news relating to the defaults of certain Chinese property companies;
- political instability or changes in political or social conditions in the PRC;
- changes in laws and regulations or the interpretation of laws and regulations including, for instance, the potential requirement of deleveraging;
- measures which may be introduced to control inflation or deflation;
- changes in the rate or method of taxation; and
- imposition of additional restrictions on currency conversion and remittances abroad.

Interpretation of PRC laws and regulations involves uncertainty and the current legal environment in China could limit the legal protections available to you.

Our business and operations are primarily conducted in China and is governed by PRC laws and regulations. Our principal operating subsidiaries are located in China and are subject to the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have limited precedential value and can only be used as a reference. Additionally, PRC written laws are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters

such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, because these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree of uncertainty and the legal protection available to you may be limited. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention. All these uncertainties may cause difficulties in the enforcement of our land use rights, entitlements under our permits, and other statutory and contractual rights and interests.

The PRC national economy and economies in different regions of the PRC may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as the Severe Acute Respiratory Syndrome, or SARS, the H5N1 avian flu, the human swine flu, also known as Influenza A (H1N1), or, most recently, the novel coronavirus temporarily named 2019-nCoV by the World Health Organization.

Past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. Another public health crisis in China triggered by a recurrence of SARS or an outbreak of any other epidemics, including, for example, the COVID-19 pandemic, especially in the cities where we have operations, may result in material disruptions to our property development and sales and the operation of commercial properties. In addition, the outbreak of communicable diseases, such as the coronavirus outbreak on a global scale may affect investment sentiment and result in sporadic volatility in global capital markets or adversely affect China and other economies. Such outbreak has resulted in restrictions on travel and public transportation and prolonged closures of workplaces, which may have a material adverse effect on the global economy. Any material change in the financial markets, the PRC economy or regional economies as a result of these events or developments may materially and adversely affect our business, financial condition and results of operations.

It may be difficult to enforce any judgments obtained from non-PRC courts against us in the PRC.

Substantially all of our assets are located within the PRC. The PRC does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Final judgments for civil and commercial cases and arbitral awards obtained in a recognized Hong Kong court or Hong Kong arbitral tribunal may be enforced in the PRC, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in the PRC.

Furthermore, an original action may be brought in the PRC against us or our Directors and senior management only if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether the holders will be able to bring an original action in the PRC in this manner.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations.

The PRC government imposes controls on the convertibility between Renminbi and foreign currencies and the remittance of foreign exchange out of China. We receive substantially all our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our Company and our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may service their foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange (“SAFE”) by complying with certain procedural requirements.

Approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal of loans or debt denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to finance our PRC subsidiaries. Subsequent to this offering, we have the choice, as permitted by the PRC foreign investment regulations, to invest our net proceeds from this offering in the form of registered capital or a shareholder loan into our PRC subsidiaries to finance our operations in China. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in China. Our investment decisions are additionally affected by various other measures taken by the PRC government relating to the PRC property market. In addition, our transfer of funds to our subsidiaries in China is subject to approval by PRC governmental authorities in the case of an increase in registered capital, and subject to approval by and registration with PRC governmental authorities in case of shareholder loans to the extent that the existing foreign investment approvals received by our PRC subsidiaries permit any such shareholder loans at all. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions.

Fluctuations in the value of Renminbi may adversely affect our business and the value of distributions by our PRC subsidiaries.

The New Notes are denominated in U.S. dollars, while substantially all of our revenue is generated by our PRC operating subsidiaries and denominated in Renminbi. The value of Renminbi depends, to a large extent, on domestic and international economic, financial and political developments and PRC government policies, as well as the supply and demand in the local and international markets. From 1999 until 2005, the conversion of the Renminbi into foreign currencies, including the U.S. dollar and the Hong Kong dollar, was based on exchange rates set and published daily by PBOC in light of the previous day's inter-bank foreign exchange market rates in China and the then current exchange rates on the global financial markets. The official exchange rate for the conversion of the Renminbi into the U.S. dollar was largely stable until July 2005. On July 21, 2005, PBOC revalued the Renminbi by reference to a basket of foreign currencies, including the U.S. dollar. As a result, the value of the Renminbi appreciated by more than 2% on that day. Since then, PBOC has allowed the official Renminbi exchange rate to float against a basket of foreign currencies. Further, from 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 allowed the Renminbi to fluctuate against the U.S. dollar by up to 0.5% above or below the central parity rate published by PBOC. In June 2010, PBOC announced its intention to proceed with the reform of the Renminbi exchange rate regime to increase flexibility and on April 16, 2012 the band was expanded to 1.0% and further revised to 2.0% on March 17, 2014. These changes in currency policy resulted in the Renminbi significantly appreciating against the U.S. dollar. The Renminbi exchange rate could fluctuate widely against the U.S. dollar or any other foreign currency in the future. 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 and other obligations. Since our income and profits are denominated in Renminbi, any appreciation of the Renminbi will increase the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Conversely, any depreciation of the Renminbi will decrease the value of dividends and other distributions payable by our PRC subsidiaries in foreign currency terms. Fluctuation of the value of Renminbi will also affect the amount of our foreign debt service in Renminbi terms since we have to convert Renminbi into foreign currencies to service our indebtedness in foreign currency. As of June 30, 2023, we did not enter into foreign exchange capped forward contracts or foreign currency swap transactions to hedge foreign exchange risk. We may enter into hedging agreements in the future to manage our exposure to foreign exchange rate risk as appropriate. If we enter into such agreements, there can be no assurance that such agreements could effectively hedge our foreign exchange rate risk.

We may incur additional cost to comply with the new policy regarding the tax bureau to collect social insurance and may be required by the tax bureau to make additional social insurance contributions.

On July 20, 2018, China's Central Committee and the State Council released the Reform Plan on the National and Local Taxation Collection and Management System (the "Taxation Collection Reform Plan"). Set to take effect on January 1, 2019, the plan places the responsibility of calculating and collecting social insurance premiums solely with the tax bureau, which is expected to improve social insurance compliance since the tax

bureau is better resourced to monitor and collect contributions. The impact of the newly adopted Taxation Collection Reform Plan is still uncertain. We may incur additional cost to comply with this new plan and may be required by the tax bureau to make additional social insurance contributions, which may have a material adverse impact on our business, financial condition and results of operations.

PRC regulation of loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from providing loans or making additional capital contributions to our PRC operating subsidiaries.

Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans to a foreign-invested enterprise to finance its activities cannot exceed statutory limits, i.e. the difference between the registered capital and the approved investment amount of such subsidiary, and must be registered with the State Administration of Foreign Exchange in China or its local counterpart. Loans by us to domestic PRC enterprises must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterpart. However, any loans by us to these foreign-invested real estate enterprises of our domestic PRC enterprises cannot be registered with SAFE.

On March 30, 2015, the SAFE issued the Circular on Reforming the Management Approach Concerning the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises (Hui Fa [2015] No. 19) (關於改革外商投資企業外匯資金結匯管理方式的通知) (匯發[2015]19號) (“SAFE Circular No. 19”), effective as of June 1, 2015 and amended on September 6, 2016, December 30, 2019 and March 23, 2023. On June 9, 2016, the SAFE promulgated the “Notice on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange” (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “SAFE Circular 16”). Although SAFE Circular No. 19 allows for the use of Renminbi converted from the foreign currency-denominated capital for equity investments in the PRC, the capital of foreign-invested enterprises and capital in Renminbi obtained by them from foreign exchange settlement shall not be used for the converted Renminbi for purposes beyond the business scope, for entrusted loans (unless permitted by the scope of business) or for inter-company Renminbi loans.

We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to our future loans or capital contributions to our direct or indirect PRC subsidiaries. If we fail to receive such registrations or approvals, our ability to capitalize our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and ability to fund and expand our business.

Failure to comply with the SAFE regulations relating to registration of interests by our PRC resident beneficial owners may adversely affect our business operations.

On October 21, 2005, the SAFE issued the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round-trip Investment via Special Purpose Offshore Companies (Hui Fa [2005] No. 75) (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (匯發[2005]75號) (“Notice No. 75”). On July 4, 2014, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange for Overseas Investment and Financing and Reverse Investment by Domestic Residents via Special Purpose Vehicles (Hui Fa [2014] No. 37) (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (匯發[2014]37號), (“Notice No. 37”), which replaced the Notice No. 75. Pursuant to Notice No. 37, any PRC residents, including both PRC institutions and individual residents, are required to register with the local SAFE branch before making contribution to a company set up or controlled by the PRC residents outside of the PRC for the purpose of overseas investment or financing with their legally owned domestic or offshore assets or interests, referred to in this Notice as a “special purpose vehicle.” Under Notice No. 37, the term “PRC institutions” refers to entities with legal person status or other economic organizations established within the territory of the PRC. The term “PRC individual residents” includes all PRC citizens (also including PRC citizens abroad) and foreigners who habitually reside in the PRC for economic benefits. A registered special purpose vehicle is required to timely update its SAFE registration in the event of any change of basic information including PRC individual resident shareholder, name, term of operation, or PRC individual resident’s increase or decrease of capital, transfer or exchange of shares, merger, division or other material changes. In addition, if a non-listed special purpose vehicle grants any equity incentives to directors, supervisors or employees of domestic companies under its direct or indirect control, the relevant PRC individual residents could register with the local SAFE branch before exercising such options. The

SAFE simultaneously issued a series of guidance to its local branches with respect to the implementation of Notice No. 37, including the Operating Guideline for Relevant Business of Foreign Exchange Administration over Round-trip Investment. In the event that a PRC resident with a direct or indirect stake in a special purpose offshore company fails to make or update the required SAFE registration, the PRC subsidiaries of such special purpose offshore company may be prohibited from distributing their profits to their offshore parent and from paying the offshore parent proceeds from any reduction in capital, share transfer or liquidation in respect of the PRC subsidiaries, and the offshore parent's ability to contribute additional capital or provide loans, whether using the proceeds from this offering or otherwise, would be impaired. In addition, failure to comply with SAFE registration requirements as described above may also result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

These regulations apply to the beneficial owners of the Company who are PRC residents. Failure to file any amendment registration in the future by our Controlling Shareholder may result in restrictions by SAFE on the abilities of our PRC subsidiaries to distribute their profits to us, which could have a material adverse effect on our abilities to perform our obligations under the New Notes, including but not limited to, payment of the principal, interest and any other amounts under the New Notes, and on the abilities of us to contribute additional capital or provide loans to our PRC subsidiaries, which could have a material adverse effect on our business, financial condition and results of operations. If our PRC subsidiaries transfer funds as dividends outside of the PRC to us or if we transfer funds as capital contributions or loans into the PRC to our PRC subsidiaries without completion of the required amendment registration, such PRC beneficial owners or our PRC subsidiaries may be subject to fines and sanctions under relevant SAFE regulations.

We may be treated as a PRC tax resident, which may have an adverse effect on us and the holders of Notes.

Under the EIT Law, if an enterprise is incorporated outside the PRC but its "actual management organization" is located within the PRC, such enterprise may be treated as a PRC tax resident enterprise and be subject to the unified enterprise income tax rate of 25% on its global income. The Implementation Rules of the Enterprise Income Tax Law defined the "actual management organization" as an organization actually managing and controlling an enterprise's production, operation, personnel, finance and assets. If the PRC tax authorities determine that our overseas holding company or any other non-PRC entities are "PRC resident enterprises" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we would be subject to enterprise income tax at a rate of 25% on our global taxable income as well as PRC enterprise income tax reporting obligations. In addition, although under the EIT Law and its Implementing Rules, dividend income between qualified PRC resident enterprises is tax-exempted, it is not clear how the term qualified PRC resident enterprise is defined under the EIT Law and whether we will be able to enjoy such exemption if we are treated as a PRC resident enterprise. In addition, if interest paid on the Note to our non-PRC enterprise Note holders or gains derived by our non-PRC enterprise Note holders from transferring the New Notes are treated by the PRC taxation authorities as income derived from sources within the PRC, such interest and gains may be subject to a 10% tax (which, in the case of interest or premium (if any), may be withheld by us). Furthermore, if we are considered a PRC resident enterprise and relevant PRC tax authorities consider interest we pay with respect to the New Notes, or any gains realized from the transfer of Notes, to be income derived from sources within the PRC, such interest or gains earned by non-resident individuals may be subject to PRC income tax (which, in the case of interest or premium (if any), may be withheld by us) at a rate of 20%. Any such PRC tax may be reduced under applicable tax treaties. However, it is unclear whether in practice non-PRC resident Note holders are able to obtain the benefit of income tax treaties entered into by and between the PRC and their countries. In addition, it is possible that interest payments could also be subject to PRC VAT as described in "Taxation – PRC Taxation – VAT."

If we were treated as a PRC resident enterprise and were required to withhold PRC tax on payments of interest, we would be required to withhold PRC tax on interest payable to certain of our non-resident Note holders and pay, subject to certain exceptions, additional amounts with respect to such withholding, which may have an adverse effect on our cash flows. If we fail to perform such withholding obligation, we may be subject to substantial fines, which could have an adverse effect on our results of operations.

We face uncertainty with respect to transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the State Administration of Taxation promulgated the Announcement of Certain Issues on Enterprise Income Tax Regarding Indirect Transfer of Properties by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (國家稅務總局公告2015年第7號) (the “Announcement 7”). Pursuant to Announcement 7, an “indirect transfer” of assets of a PRC resident enterprise, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such transaction arrangement lacks a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Announcement 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties located in China, and equity interests in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. In respect of an indirect transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. If the underlying transfer relates to immovable properties located in China or to equity interests in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to preferential tax treatment under applicable tax treaties or similar arrangements, if any, and the party who is obligated to make payments for the transfer has a withholding obligation. Although Announcement 7 does not apply to share transfers of publicly traded companies, there is uncertainty as to the application of Announcement 7. We and our non-PRC resident investors may be at risk of being subject to tax filing or withholding obligations under Announcement 7 and we may be required to allocate significant resources to comply with Announcement 7 or to establish that we should not be taxed under Announcement 7 which may have a material adverse effect on our financial condition and results of operations.

RISKS RELATING TO THE NEW NOTES, THE SUBSIDIARY GUARANTEES AND THE JV SUBSIDIARY GUARANTEES

We may elect to pay all the accrued interest on the New Notes upon maturity.

The New Notes will bear interest at 9.5% per annum from the Original Issue Date payable semi-annually in arrears. However, the Company may elect not to make any interest payment on the first Interest Payment Date, in which case all the accrued interest on the New Notes shall be paid on the maturity date. You may therefore not receive any interest payments before the maturity date of the New Notes if we elect not to make interest payment on the first Interest Payment Date. Further, we cannot assure you that we will be able to pay the interest on the New Notes when due. If we fail to do so, there could be a default under the terms of the indenture for the New Notes.

Our affiliates and connected persons (as defined under the Listing Rules) are expected to own substantially all of the New Notes to be issued under the Exchange Offer and may therefore be able to exercise certain rights and powers on behalf of all holders of the New Notes. Additionally, this may reduce the liquidity of the New Notes in the secondary trading market.

Our affiliates and connected persons (as defined under the Listing Rules) are expected to own substantially all of the total principal amount of all New Notes to be issued under the Exchange Offer. Any holder that holds a significant portion of the outstanding New Notes, even if less than a majority, will be able to exercise certain rights and powers and will have significant influence on matters voted on by holders of the New Notes. For example, the holders of a majority in aggregate principal amount of the outstanding New Notes may direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee for the New Notes or exercising any trust or power conferred on it. Further, as described in “Description of the New Notes – Amendments and Waivers,” the Indenture, the New Notes, the Subsidiary Guarantee and the JV Subsidiary Guarantee (if any) may be amended with the consent of the holders of a majority in aggregate principal amount of the outstanding New Notes, and any Default or Event of Default or compliance with any provision of the Indenture, the New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees (if any) may be waived with the consent of the holders of a majority in aggregate principal amount of the outstanding Notes. Accordingly, any holder that holds a majority in aggregate principal amount of outstanding Notes will be able to exercise such rights and powers on behalf of all holders of the New Notes and control the outcome of votes on such matters. Holders of at least 25% in aggregate principal amount of the New Notes then outstanding may also declare all of the New Notes to be immediately due and payable if certain types of Events of Default have occurred and are continuing. In particular, unlike the relevant terms of similar senior notes issued by our peers, the New Notes held by our affiliates and connected persons will not be disregarded and shall be deemed to be outstanding in determining whether the Holders of the requisite amount of outstanding New Notes have

given any such request, demand, authorization, direction, notice, consent or waiver as set forth in “Description of the New Notes”. Our affiliates and connected persons, who are expected to own substantially all of the New Notes to be issued under the Exchange Offer, will therefore be able to exercise such rights and powers and will have significant influence on matters voted on by holders of the New Notes, such as amendments of the terms of the New Notes and waiver of Default or Event of Default.

The existence of any such significant holder may reduce the liquidity of the New Notes in the secondary trading market. Additionally, interests of such holders, which may include our affiliates, may be in conflict with the interest of other holders of the New Notes. If such holder sells a material portion of the New Notes in the secondary market, it may materially and adversely affect the trading price of the New Notes. The negative effect of such sales on the prices of the New Notes could be more pronounced if secondary trading in the New Notes is limited or illiquid.

The New Notes and the Subsidiary Guarantees are effectively subordinated to our existing and future secured indebtedness.

The New Notes and the Subsidiary Guarantees are unsecured obligations of the Issuer and each Subsidiary Guarantor, respectively, and are effectively subordinated to all of the Issuer’s and each Subsidiary Guarantor’s existing and future secured indebtedness and other secured obligations to the extent of the value of the assets securing such indebtedness and other obligations. As a result, in the event of any liquidation, insolvency, dissolution, reorganization or similar proceeding relating to us or our property, holders of any secured indebtedness of ours will have claims that are prior to the claims of any noteholder with respect to the assets securing such secured indebtedness.

As of the date of this exchange offer memorandum, the Issuer and the Subsidiary Guarantors had outstanding secured indebtedness in a principal amount of HK\$491.6 million incurred under the Hang Seng Bank Facility. See “Description of Other Material Indebtedness” for details. If we defaulted on our obligations under any of our existing and/or future secured debt, our secured creditors would be entitled to enforce the security interest on the assets securing that indebtedness and liquidate those assets. In particular, the Hang Seng Bank Facility is secured by, among others, share charges over the shares of the Subsidiary Guarantors. See “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 and the Hang Seng Bank Facility.” If any secured indebtedness were to be accelerated, we cannot assure you that our assets would be sufficient to repay in full that indebtedness and our other indebtedness, including the amounts due on the New Notes.

In addition, upon any distribution of assets pursuant to any liquidation, insolvency, dissolution, reorganization or similar proceeding, the holders of our secured indebtedness will be entitled to receive payment in full from the proceeds of the collateral securing such secured indebtedness before the holders of the New Notes will be entitled to receive any payment with respect thereto. As a result, the holders of the New Notes may recover disproportionately less than the holders of secured indebtedness, and it is possible that there will be no assets from which claims of holders of the New Notes can be satisfied or, if any assets remain, that the remaining assets will be insufficient to satisfy those claims in full.

We have flexibility to incur debt secured by assets the security interest of which may not be shared with the Holders of the New Notes.

Although the “Limitation on Liens” covenant as described under the “Description of the New Notes” section provides that we may not create or permit to exist any liens on our assets and properties unless such liens are shared on a *pari passu* basis with the Holders of the New Notes, such restriction is subject to important exceptions and qualifications. The terms of the New Notes give us enhanced flexibility to make Restricted Payments, including investments, in Unrestricted Subsidiaries, minority owned joint ventures and other persons, and we have the flexibility under the terms of the New Notes to designate certain subsidiaries as Unrestricted Subsidiaries, which may have substantial assets. Unrestricted Subsidiaries themselves are not subject to the restrictive covenants under the indenture governing the New Notes and will therefore be permitted to incur debt secured by their assets, the security interest of which will not be shared with holders of the New Notes. In addition, the definition of “Permitted Liens” also gives us and our Restricted Subsidiaries flexibility to incur debt secured by certain assets, the security interest of which may not be shared with holders of the New Notes. The New Notes will therefore rank behind such secured debt to the extent of the value of such security, the amount of which may be material.

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 and certain of our offshore subsidiary. Our primary assets are ownership interests in our PRC subsidiaries, which are held through the Subsidiaries Guarantors. The Subsidiary Guarantors do not, and the JV Subsidiary Guarantors (if any) may not, have significant operations. 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. 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 June 30, 2023, our Non-Guarantor Subsidiaries had total debt in the amount of RMB1,822.5 million (US\$251.3 million), capital commitments in the amount of RMB1,274.7 million (US\$175.8 million) and contingent liabilities arising from guarantees in the amount of RMB7.7 million (US\$1.1 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 the last fiscal year end of the Company. 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.

In addition, creditors of all our subsidiaries and any holders of preferred shares in our subsidiaries, would have a claim over our subsidiaries' assets that would be prior to the claims of holders of 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.

We will continue to have after the offering of the New Notes, a substantial amount of indebtedness. As of June 30, 2023, our non-current borrowings and current borrowings were RMB767.7 million (US\$105.9 million) and RMB2,703.0 million (US\$372.8 million), respectively. We incurred no further indebtedness after June 30, 2023. As of June 30, 2023, our total outstanding external borrowings amounted to approximately RMB3,470.7 million (US\$478.6 million).

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;
- 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 indentures governing the New Notes, our ability to incur additional debt is subject to limitations on indebtedness and preferred stock covenants. Under such covenants, 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. Under the terms of the New Notes, our Fixed Charge Coverage Ratio will be not less than 1.0:1.0, which is significantly lower than the Existing Notes. As a result, we would have significantly less restrictions in incurring indebtedness as ratio debts. Further, as 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, we may not generate sufficient cash flow for these purposes. If we are unable to service our indebtedness, 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. For example, we may not be able to satisfy the Fixed Charge Coverage Ratio requirement for ratio debt immediately after the issuance of the New Notes, in which case, we will have to rely on Permitted Indebtedness provisions to incur any additional debt. Certain of our financing arrangements also impose operating and financial restrictions on our business. 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.

The Renminbi is not a freely convertible currency.

The Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the U.S. dollar and Hong Kong dollar, despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. Participating banks in Hong Kong have been permitted to engage in the settlement of Renminbi trade transactions under a pilot scheme introduced in July 2009. This represents a current account activity. The pilot scheme was extended in June 2010 to cover twenty provinces and cities in China and to make Renminbi trade and other current account item settlement available in all countries worldwide. On December 3, 2013, the MOFCOM promulgated the Announcement on Issues Concerning Cross-border RMB Direct Investment (Announcement of the Ministry of Commerce [2013] No. 87) (《關於跨境人民幣直接投資有關問題的公告》商務部公告2013年第87號) (the “MOFCOM Announcement”) to further facilitate Renminbi inbound direct investments by foreign investors. On October 13, 2011, the PBOC promulgated the Administrative Measures on Settlement of Cross-Border Renminbi Direct Investment (PBOC Announcement 2011 No. 23) (《外商直接投資人民幣結算業務管理辦法》中國人民銀行公告[2011]23號) (the “PBOC Measures”) and amended in 2015 to set forth rules for settlements of Renminbi inbound direct investments. The MOFCOM Announcement and the PBOC Measures provide more detailed rules for cross-border Renminbi direct investments and settlements. We cannot assure you whether the relevant PRC authorities will adopt any other new regulations or rules to loosen or further strengthen the administration on the remittance of Renminbi for foreign direct investments.

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.”

The source of funds for any such purchase would be our available cash or third-party financing. However, we may not have enough 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 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 Change of Control Triggering Event for purposes of the Indenture governing the New Notes 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, although these types of transactions could increase our indebtedness or otherwise affect our capital structure. The definition of Change of Control Triggering Event for purposes of the indenture governing the New Notes 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 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.

We may be unable to obtain and remit foreign exchange.

Our ability to satisfy our obligations under the New Notes depends solely upon the ability of our subsidiaries in the PRC to obtain and remit sufficient foreign currency to pay dividends to us and to repay shareholder loans. Our PRC subsidiaries must present certain documents to the SAFE, its authorized branch, or the designated foreign exchange bank, for approval before they can obtain and remit foreign currencies out of the PRC (including, in the case of dividends, evidence that the relevant PRC taxes have been paid and, in the case of shareholder loans, evidence of the registration of the loan with the SAFE). Prior to payment of interest and principal on any shareholder loan we make to our PRC subsidiaries, the relevant PRC subsidiary must also present evidence of payment of the 10% (or 7% if the interest is paid to a Hong Kong resident under certain circumstances) withholding tax on the interest payable in respect of such shareholder loan. If any PRC subsidiary for any reason fails to satisfy any of the PRC legal requirements for remitting foreign currency payments, the PRC subsidiary will be unable to pay us dividends or interest and principal on our existing shareholder loans, which may affect our ability to satisfy our obligations under the New Notes.

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 other PRC property developers or enter into other cooperative arrangements. As part of our business strategy, we may also invest in other businesses that we believe are suitable. As a result, we may need to make investments in joint ventures or other third parties and such entities may or may not be Restricted Subsidiaries. Although the indenture governing the New Notes 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. For example, we may make investments in any Unrestricted Subsidiaries and minority-owned joint ventures up to an aggregate amount equal to 30% of our total assets. See paragraph (17) of the definition of “Permitted Investment” in “Description of the New Notes.”

The terms of the New Notes permit us to pay substantial amount of dividends and potentially other Restricted Payments.

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. In addition to our Fixed Charge Coverage Ratio has been lowered to not less than 1.0 under the terms of the New Notes, which is much lower than under the Existing Notes, such restriction is also subject to other important exceptions and qualifications. Under the terms of the New Notes, we are not restricted from paying any cash dividend of up to US\$30.0 million for the fiscal year 2019, up to US\$40.0 million for the fiscal year 2020, up to US\$40.0 million for the fiscal year 2021 and up to US\$40.0 million for the fiscal year 2022. In addition, we may pay dividends on our common stock in an aggregate amount up to 30% of our profit for the immediate prior fiscal year without satisfying the Fixed Charge Coverage Ratio. With such an exception, we may be able to 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. With the much lower Fixed Charge Coverage Ratio under the New Notes, we would have much more capacity to make Restricted Payments in the form of various kinds of investments.

We may elect to redeem the New Notes prior to their maturity.

As set forth in “Description of the New Notes – Optional Redemption,” the New Notes may be redeemed at our option at any time and from time to time. An optional redemption feature is likely to limit the market value of the New Notes. During any period when we may elect to redeem Notes, the market value of those 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. The date on which the Issuer elects to redeem the New Notes may not accord with the preference of particular Noteholders. We may be expected to redeem 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 there are restrictions on resale of the New Notes.

The New Notes are a new issue of securities for which there is currently no trading market. Although application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the New Notes on the Hong Kong Stock Exchange, we are in the process of applying for listing of the New Notes on the Hong Kong Stock Exchange and we cannot assure you that we will obtain or be able to maintain a listing on the Hong Kong Stock Exchange, or that, if listed, a liquid trading market will develop. If such a market were to develop, the New Notes could trade at prices that may be higher or lower the initial issue price depending on many factors, including prevailing interest rates, our Group’s operations and the market for similar securities. Further, the New Notes may be allocated to a limited number of investors, in which case liquidity may be limited. We have been advised that the Dealer Manager intend to make a market in the New Notes, but the Dealer Manager are not obligated to do so and may discontinue such market making activity at any time without notice. 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 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 “Transfer Restrictions.” We cannot predict whether an active trading market for the New Notes will develop or be sustained.

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 the 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 the Company or any Restricted Subsidiary, on the one hand, and (x) any holder (or any Affiliate of such holder) of 10% or more of the shares of the Company or (y) any Affiliate of the Company, on the other hand. As such, transactions between the Company 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 may be connected transactions under the Listing Rules and subject to any requirements under the Listing Rules 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, the BVI and other local insolvency laws may differ from the United States bankruptcy laws or those of another jurisdiction with which holders of the New Notes are familiar.

Because we are incorporated under the laws of the Cayman Islands and some of the Subsidiary Guarantors are incorporated, and the JV Subsidiary Guarantors (if any) may be incorporated, under the laws of the BVI, an insolvency proceeding relating to us or any such Subsidiary Guarantor or JV Subsidiary Guarantor, even if brought in the United States or other jurisdictions, would likely involve Cayman Islands insolvency laws and/or BVI insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of the United States federal bankruptcy law or bankruptcy law in other jurisdictions. In addition, our other Subsidiary Guarantors and JV Subsidiary Guarantors (if any) are incorporated or may be incorporated in the Cayman Islands or Hong Kong and the insolvency laws of the Cayman Islands 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 United States and other jurisdictions with which the holders of the New Notes are familiar. You should analyze the risks and uncertainties carefully before you invest in our 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 and proposals for new investments, strategic alliances and/or acquisitions, 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 and absolute 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 and/or steps and/or institute proceedings 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 and/or steps and/or institute proceedings, 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 and/or steps and/or institute proceedings 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 HKFRS, which differ in certain respects from U.S. GAAP and 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 HKFRS and U.S. GAAP or between HKFRS 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 U.S. GAAP or between HKFRS 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 Hong Kong Stock Exchange, which standards may be different from those applicable to debt securities listed in certain other countries.

For so long as the New Notes are listed on the Hong Kong Stock Exchange and the rules of the Hong Kong Stock Exchange so require, we will be subject to continuing listing obligations in respect of the New Notes. The disclosure standards imposed by the Hong Kong Stock Exchange may be different than those imposed by securities exchanges in other countries or regions such as the United States. As a result, the level of information that is available may not correspond to what investors in the New Notes are accustomed to.

Interest paid by us to our foreign investors and gain on the sale of our New Notes may be subject to taxation under PRC tax laws.

Under the EIT Law, if we are deemed as a "resident enterprise" in the PRC, PRC withholding tax at the rate of 10% (or lower treaty rate, if any) might be applicable to interest paid by us to investors that are "non-resident enterprises" if such "non-resident 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 "non-resident enterprise" investors would be subject to a 10% PRC tax if we were treated as a PRC "resident enterprise" and such gain is regarded as income derived from sources within China. In the case of "non-resident individual" investors, the PRC income tax on interest and gains may be imposed at a rate of 20% (or lower treaty rate, if any). If we were a PRC "resident enterprise" and were required under the EIT Law to withhold PRC income tax on interest payable to our Note holders, we would be required to, subject to certain exceptions, pay such additional amounts as would 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. 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 income 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, if we are considered a PRC "resident enterprise," holders of our New Notes might be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

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 certificated form and held through Euroclear and Clearstream. Interests in the global notes will trade in book-entry form only, and the New 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. Payments of principal, interest and other amounts owing on or in respect of the global notes 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 notes representing the New Notes and credited by such participants to indirect participants. After payment to 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, and 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 a holder of Notes 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 holders of the New Notes. 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.

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. 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 (other than Exempted Subsidiaries and Listed Subsidiaries) do not exceed 25% 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 the JV Subsidiary Guarantees”.

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 Notes if we are unable to do so.

Under the terms of the New Notes, the Company may elect not to cause any future Restricted Subsidiary organized outside the PRC (other than Exempted Subsidiaries and Listed Subsidiaries) provide any guarantee for the New Notes and a Subsidiary Guarantor may be able to release its Subsidiary Guarantee if it sells or issues no less than 20% of the shares or Capital Stock of such Subsidiary Guarantor to a third party, as long as 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 25% 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 provided by a JV Subsidiary Guarantor and its shareholder and subsidiaries 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. As a result, the amount that may be recovered by the Trustee pursuant to a JV Subsidiary Guarantee (compared with a Subsidiary Guarantee) is reduced, which in turn may affect your ability to recover any amounts due under the New Notes. See “– Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees – 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 Cayman Islands, the BVI, Hong Kong and other jurisdictions where future Subsidiary Guarantors or JV Subsidiary Guarantors (if any) may be established or where insolvency proceedings may be commenced with respect to any such Subsidiary Guarantor or JV subsidiary Guarantor, 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:

- 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 saleable 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 and, as a result, such guarantee would be rendered void.

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 extend our debt maturity profile to improve our debt structure. See “Summary – Background and Purpose of the Exchange Offer” 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 Exchange 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 New Notes, and (b) Capitalized Interest (rounded downward to the nearest US\$1). Any fractional amounts of 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: Non-exchanging holders of the Existing Notes will not receive the Exchange Consideration if the Exchange Offer is consummated.

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, 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.

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

A: The Existing Notes bear an interest rate of 9.5% per annum and the Existing Notes will mature on January 11, 2024. The New Notes will have a tenor of 364 days and will bear interest at 9.5% per annum, payable semi-annually in arrears. However, the Company may elect not to make any interest payment on the first Interest Payment Date, in which case all the accrued interest on the New Notes shall be paid on the maturity date.

For further details regarding the New Notes, see “Description of the New Notes” section.

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) there being no material adverse change in the market from the date of this exchange offer memorandum to the Settlement Date; (ii) 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 (iii) the satisfaction 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 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.

Q: When will the Exchange Offer expire?

A: The Exchange Offer will expire at 4:00 p.m., London time on January 9, 2024, 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 Exchange 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 – Exchange 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 January 11, 2024, 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 the absolute right, at our sole discretion, from time to time to redeem or purchase any Existing Notes that remain outstanding after the Exchange Expiration Deadline through open market or privately negotiated transactions, one or more additional tenders or 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 redemption rights, including redemption rights, under the indenture governing the Existing Notes.

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 or modification 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, 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: The transfer of the New Notes is 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" section for further details. 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: 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 Exchange Offer will be made available, subject to eligibility, on <https://sites.dfkingltd.com/JYGrandmark>.

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

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 is 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.

We are conducting the Exchange Offer to refinance the Existing Notes and extend our debt maturity profile to improve our debt structure.

PURPOSE OF THE EXCHANGE OFFER

We intend to refinance the Existing Notes and extend our debt maturity profile to improve our debt structure.

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 our outstanding Existing Notes (due January 11, 2024 with ISIN: XS2560991015, Common Code: 256099101) for the Exchange Consideration as set forth below. As of the date of this exchange offer memorandum, US\$152,100,000 of the Existing Notes are 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 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.

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 Exchange Expiration Deadline and accepted for exchange will receive for each US\$1,000 principal amount of the Existing Notes the Exchange Consideration consisting of: (a) US\$1,000 in aggregate principal amount of the New Notes, and (b) Capitalized Interest. Any fractional amounts of New Notes will be forfeited.

The Existing Notes bear interest at the rate of 9.5% per annum. Accrued and unpaid interest on any Existing Notes validly tendered and accepted for exchange will be paid in kind by increasing the principal amount of the New Notes to be issued to the Eligible Holders by the amount of such accrued and unpaid interest on the Existing Notes.

We expect to announce the interest rate and other pricing terms of the New Notes as soon as practicable after the Exchange Expiration Deadline.

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 Exchange Expiration Deadline, (iv) amend the terms of the Exchange Offer or modify the form or amount of the consideration to be paid pursuant to this Exchange Offer.

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 but validly tendered, such Existing Notes will be returned to such holder.

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

TENOR AND INTEREST ON THE NEW NOTES

The New Notes will have a tenor of 364 days and bear an interest rate of 9.5% per annum, payable annually in arrears.

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.

EXCHANGE EXPIRATION DEADLINE; EXTENSIONS; AMENDMENTS; TERMINATION

For purposes of the Exchange Offer, the Exchange Expiration Deadline will be 4:00 p.m., London, on January 9, 2024, subject to our right to extend or earlier terminate that time and date at our absolute discretion, in which case the Exchange 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 oral or written notice to the Dealer Manager and the Information and Exchange Agent to:

- extend the Exchange Offer;
- terminate the Exchange Offer if a condition to our obligation to exchange Existing Notes for New Notes is not satisfied or waived prior to the Settlement Date, or if we determine that accepting the exchanges, paying the Exchange Consideration and effecting the transactions contemplated 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 of the Exchange Offer, we will promptly disseminate disclosure regarding the changes to the Exchange Offer and extend the Exchange Offer, 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 extension or the business days following such earlier termination.

We will promptly announce any extension, amendment or termination of the Exchange Offer by issuing an announcement via the website of the Hong Kong Stock Exchange, on the Exchange Website and through Euroclear and Clearstream. We will announce any extension or earlier termination of the Exchange Expiration Deadline no later than 9:00 a.m., Hong Kong time, on the business day after the previously scheduled Exchange 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 Exchange 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 Exchange Expiration Deadline. We anticipate that the Settlement Date will occur on or about January 11, 2024, unless the Exchange Offer is extended.

Subject to the terms and conditions of the Exchange Offer, and assuming that the Exchange Offer is 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 Exchange Expiration Deadline that are accepted by us will receive the Exchange Consideration. Euroclear or Clearstream will transmit the New Notes to Eligible Holders whose Existing Notes are accepted for exchange in accordance with the terms 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 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 Exchange Expiration Deadline, (iv) amend the terms of the Exchange Offer 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, is satisfied or waived:

- (1) 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;
- (2) 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;
- (3) 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 or 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;
- (4) none of the following has occurred:
 - (i) any general suspension of or limitation on trading in securities on the Singapore, the PRC, the United States, London, 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 Singapore, the PRC, the United States, London, 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 Singapore, the PRC, the United States, London 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 Singapore, the PRC, the United States, London 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 Singapore, the PRC, the United States, London or Hong Kong;
 - (vii) any material disruption has occurred in securities settlement or clearance services in the Singapore, the PRC, the United States, London 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 Singapore, the PRC, the United States, London or Hong Kong securities or financial markets generally; and
 - (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
- (5) 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 Exchange Expiration Deadline may be extended; or
- waive any unsatisfied conditions with respect to the Exchange Offer, and accept all Existing Notes tendered and delivered.

REPRESENTATIONS, WARRANTIES AND COVENANTS OF ELIGIBLE HOLDERS OF THE EXISTING NOTES

Representations, warranties and covenants of each Eligible Holder for exchange

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 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 Guarantors (if any), the Existing Notes Trustee or any fiduciary, trustee, fiscal agent, security agent or 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:

- (1) it has received and reviewed this exchange offer memorandum including the terms of the New Notes set out herein;
- (2) 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;

- (3) 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 nondiscretionary 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;
- (4) it acknowledges that the Exchange Offer is subject to the restrictions set out in the section entitled “Offer and Distribution Restrictions”;
- (5) 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 and may only be sold or otherwise transferred subject to the restrictions set out in the section entitled “Transfer Restrictions”;
- (6) it is not located or resident in the EEA or in the United Kingdom or, if it is located in the EEA or in the United Kingdom, it is not a retail investor (as defined for the purposes of the EEA and United Kingdom (respectively) in this exchange offer memorandum);
- (7) it is not a member of the public in the Cayman Islands or the British Virgin Islands;
- (8) it is not located or resident in Italy or, if it is located in Italy, it is an authorised person or is tendering Existing Notes through an authorised person (such as an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 58 of 24 February 1998, as amended, CONSOB Regulation No. 16190 of 29 October 2007, as amended from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority;
- (9) it is not located or resident in the United Kingdom or, if it is located or resident in the United Kingdom, it is a person falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Promotion Order) or within Article 43(2) of the Financial Promotion Order (“high net worth companies, unincorporated associations etc.”), or to whom this exchange offer memorandum and any other documents or materials relating to the exchange offer may otherwise lawfully be communicated in accordance with the Financial Promotion Order;
- (10) it is not located or resident in France or, if it is located or resident in France, it is a (i) provider of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d’investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investor (*investisseur qualifié*), other than an individual, acting for its own account (all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*);
- (11) it is not located or resident in Belgium or, if it is located or resident in Belgium, it is a qualified investor, in the sense of Article 10 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets, acting on its own account;
- (12) 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;
- (13) 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;

- (14) 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 Dealer Manager, the Information and Exchange Agent or the Existing Notes Trustee;
- (15) 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;
- (16) 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 their nominees such Existing Notes;
- (17) 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;
- (18) 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 its identity, the aggregate principal amount of such Existing Notes and the account details to the Information and Exchange Agent; and
- (19) 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.

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 Exchange 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.

Notwithstanding anything else contained in this exchange offer memorandum or any other document in connection hereto, the Information and Exchange Agent may refrain without liability from doing anything that would or might in its opinion be contrary to any law (including any economic or financial sanctions law (and including sanctions enforced by the U.S. Government, (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury), the United Nations Security Council, the European Union, HM Treasury, or other relevant sanctions authority (collectively "Sanctions"))) of any state or jurisdiction (including but not limited to the United States of America or any jurisdiction forming a part of it, the European Union and England and Wales) or any directive or regulation (including any economic or sanctions directive or regulation (and including Sanctions)) of any agency of any such state or jurisdiction and may without liability do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.

INVESTOR PROFILE ELECTION

Pursuant to the requirements of the Hong Kong Stock Exchange, an Eligible Holder is required to certify its Investor Profile when submitting its instruction. References to “Investor Profile” are to categories of professional investors as determined pursuant to the SFO, which include:

1. Institutional Professional Investors;
2. Corporate Professional Investors;
3. Individual Professional Investors; and
4. Private Banking Clients.

The below constitutes a general summary of the descriptions of the categories of professional investors pursuant to the SFO. Eligible Holders should refer to the SFO and the Securities and Futures (Professional Investor) Rules for further information as required.

“Institutional Professional Investors” refers to persons who fall under paragraphs (a) to (i) of the definition of “professional investor” under Part 1 of Schedule 1 to the SFO, which includes:

- (a) any recognized exchange company, recognized clearing house, recognized exchange controller or recognized investor compensation company, or any person authorized to provide automated trading services under section 95(2) of the SFO;
- (b) any intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong;
- (c) any authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong;
- (d) any insurer authorized under the Insurance Ordinance (Cap. 41), or any other person carrying on insurance business and regulated under the law of any place outside Hong Kong;
- (e) any scheme which is a collective investment scheme authorized under section 104 of the SFO; or is similarly constituted under the law of any place outside Hong Kong and, if it is regulated under the law of such place, is permitted to be operated under the law of such place, or any person by whom any such scheme is operated;
- (f) any registered scheme as defined in section 2(1) of the Mandatory Provident Fund Schemes Ordinance (Cap. 485), or its constituent fund as defined in section 2 of the Mandatory Provident Fund Schemes (General) Regulation (Cap. 485 sub. leg. A), or any person who, in relation to any such registered scheme, is an approved trustee or service provider as defined in section 2(1) of that Ordinance or who is an investment manager of any such registered scheme or constituent fund;
- (g) any scheme which –
 - (i) is a registered scheme as defined in section 2(1) of the Occupational Retirement Schemes Ordinance (Cap. 426); or
 - (ii) is an offshore scheme as defined in section 2(1) of that Ordinance and, if it is regulated under the law of the place in which it is domiciled, is permitted to be operated under the law of such place,

or any person who, in relation to any such scheme, is an administrator as defined in section 2(1) of that Ordinance;

- (h) any government (other than a municipal government authority), any institution which performs the functions of a central bank, or any multilateral agency;
- (i) except for the purposes of Schedule 5 to the SFO, any corporation which is –
 - (i) a wholly owned subsidiary of –
 - A. an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong; or
 - B. an authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong;
 - (ii) a holding company which holds all the issued share capital of –
 - A. an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong; or
 - B. an authorized financial institution, or any bank which is not an authorized financial institution but is regulated under the law of any place outside Hong Kong; or
 - (iii) any other wholly owned subsidiary of a holding company referred to in subparagraph (ii).

“Corporate Professional Investors” and “Individual Professional Investors” refer to investors that fall under paragraph (j) of the definition of “professional investor” under Part 1 of Schedule 1 to the SFO. According to section 3 of the Securities and Futures (Professional Investor) Rules (Cap. 571D) of Hong Kong, investors in this category include:

- (a) any trust corporation having been entrusted under one or more trusts of which it acts as trustee with total assets of not less than HK\$40 million or its equivalent in any foreign currency;
- (b) any individual (either alone with his spouse or children (collectively, “His Associate(s)”) on a joint account or his share on a joint account with one or more person other than His Associate(s)) having a portfolio of not less than HK\$8 million or its equivalent in any foreign currency;
- (c) any corporation (other than a trust corporation referred to in paragraph (a)) or partnership having either a portfolio (comprising securities, certificates of deposit issued by an authorised financial institution or the overseas equivalent, and/or money held by a custodian for him) of not less than HK\$8 million or total assets of not less than HK\$40 million or its equivalent in any foreign currency;
- (d) any corporation whose principal business is to hold investments and which is wholly owned by a person who falls within the description in paragraphs (a) to (c) above or within the description of “professional investor” within the meaning of paragraph (a), (d), (e), (f), (g) or of the definition of “Institutional Professional Investor” above; and
- (e) any corporation which wholly owns a corporation referred to in paragraph (c) above.

Private banking clients should be categorized as either Corporate Professional Investors or Individual Professional Investors where possible.

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 Exchange 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 Exchange 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. The Eligible Holder of the Existing Notes should allow sufficient time to assure delivery to and receipt by the Information and Exchange Agent of electronic Instructions prior to the Exchange Expiration Deadline.

Questions about the terms of the Exchange Offer should be directed to the Dealer Manager. If you have questions regarding tender procedures or require additional copies of this exchange offer memorandum, please contact the Dealer Manager or 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 Exchange 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, the New Notes Trustee and the Existing Notes Trustee on each of the Exchange 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, New Notes Trustee and the Existing Notes Trustee that:

- you have received, reviewed and accepted the terms of this exchange offer memorandum, the terms of the New Notes and the section entitled “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 or modification 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 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 Exchange Expiration Deadline. Tender Instructions must be submitted in respect of no less than a minimum nominal amount of Existing Notes (being US\$150,000), and may thereafter be submitted in integral multiples of US\$1; provided that, if a holder shall elect to partially exchange its Existing Notes into New Notes, the principal amount of Existing Notes retained must be a minimum amount of US\$150,000. 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.

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 Exchange 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 Exchange Expiration Deadline specified in this exchange offer memorandum.

TENDER INSTRUCTIONS

Only direct participants of Euroclear and Clearstream may submit tender Instructions to Euroclear and 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 Exchange Expiration Deadline and before the deadlines set by Euroclear or Clearstream, as applicable (unless the Exchange Offer is 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 Existing 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 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 must be submitted on behalf of each beneficial owner of the Existing Notes.

NO PARTICIPATION BY THE COMPANY

The Company, the Subsidiary Guarantors and any of their respective affiliates 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

In accordance with normal practice, the Existing Notes Trustee expresses no opinion on the terms of the Exchange Offer. The Existing Notes Trustee has 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, the Existing Notes Trustee recommends that the holders of the Existing Notes seek their own independent financial or legal advice with regard to the impact of the implementation of the Exchange Offer. In implementing the Exchange Offer, the Existing Notes Trustee shall be entitled to all of the rights, protections, privileges, indemnities and other benefits granted or afforded to it under the Existing Notes Indenture.

The Existing Notes Trustee, the New Notes Trustee, the Existing Notes Agents and the New Notes Agents shall not be required to calculate, verify or determine the capitalized interest, Exchange Consideration or the amount of New Notes to be issued pursuant to the Exchange Offer.

INFORMATION AND EXCHANGE AGENT

D.F. King 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 via email and 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 Haitong International Securities Company 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 it has 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 its businesses, the Dealer Manager or certain of its affiliates may at any time hold long or short positions, and may trade for its 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, it 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 interest rate of the New Notes, the final total aggregate principal amount of the New Notes and the settlement of the Exchange Offer will be released via the website of Hong Kong Stock Exchange 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 by the Information and Exchange Agent on the Exchange Website.

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 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.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table presents our summary financial and other data. The summary consolidated income statement data for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 and the summary consolidated financial position data as of December 31, 2020, 2021 and 2022 and June 30, 2023 set forth below (except for EBITDA data and amounts presented in U.S. dollars) have been derived from our historical financial information for such years or periods and as of such dates, set forth in the audited consolidated financial statements as of and for the years ended December 31, 2021 and 2022 and the unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2023 included elsewhere in this exchange offer memorandum. Our financial information have been prepared and presented in accordance with HKFRS issued by the HKICPA, which differ in certain respects from generally accepted accounting principles in other jurisdictions. Our consolidated financial statements as of and for the years ended December 31, 2021 and 2022 have been audited by PricewaterhouseCoopers, our independent auditor, in accordance with HKSAs issued by the HKICPA and the financial information for the six months ended June 30, 2023 has been reviewed by PricewaterhouseCoopers in accordance with HKSRE 2410 issued by the HKICPA. Consequently the unaudited financial information for the six months ended June 30, 2023 should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit. The summary financial data below should be read in conjunction with our consolidated financial statements and the notes to those statements included elsewhere in this exchange offer memorandum. Potential investors must exercise caution when using such data to evaluate our financial condition and results of operations. Results for interim periods are not indicative of results for the full year. Historical results are not necessarily indicative of results that may be achieved in any future period.

SUMMARY CONSOLIDATED INCOME STATEMENT AND OTHER FINANCIAL DATA

	Year ended December 31,				Six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(In thousands, except for percentages)						
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	2,347,064	2,043,126	513,310	70,789	308,168	325,841	44,936
Cost of sales	(1,434,328)	(1,459,901)	(439,704)	(60,638)	(246,753)	(277,018)	(38,203)
Gross profit before impairment losses on completed properties held for sale and properties under development	912,736	583,225	73,606	10,151	61,415	48,823	6,733
Net impairment losses on completed properties held for sale and properties under development	-	-	(679,553)	(93,715)	(276,942)	(341,524)	(47,098)
Gross profit/(loss) after impairment losses on completed properties held for sale and properties under development	912,736	583,225	(605,947)	(83,564)	(215,527)	(292,701)	(40,365)
Selling and marketing expenses	(124,629)	(153,328)	(66,331)	(9,147)	(37,769)	(31,746)	(4,378)
Administrative expenses	(140,958)	(138,088)	(117,509)	(16,205)	(55,928)	(40,548)	(5,592)
Net impairment (losses)/reversal on financial assets	(873)	(5,837)	(36,869)	(5,084)	(2,121)	23,419	3,230
Other income	15,826	21,567	14,326	1,976	1,798	8,755	1,207
Other expenses	(4,105)	(1,223)	(872)	(120)	(10,125)	(139)	(19)
Other gains/(losses) – net	86,721	33,430	(200,513)	(27,652)	(4,440)	(27,590)	(3,805)
Operating profit/(loss)	744,718	339,746	(1,013,715)	(139,798)	(324,112)	(360,550)	(49,722)
Finance costs	(34,492)	(18,071)	(28,731)	(3,962)	(17,228)	(15,717)	(2,167)
Finance income	21,213	18,430	6,760	932	3,850	2,514	347
Finance (costs)/income – net	(13,279)	359	(21,971)	(3,030)	(13,378)	(13,203)	(1,821)
Share of profit/(loss) of investments accounted for using the equity method	53,071	23,634	3,037	419	4,008	(7,550)	(1,041)
Profit/(loss) before income tax	784,510	363,739	(1,032,649)	(142,409)	(333,482)	(381,303)	(52,584)
Income tax expense	(306,113)	(164,916)	144,824	19,972	28,094	(40,169)	(5,540)
Profit/(loss) for the year/period	478,397	198,823	(887,825)	(122,437)	(305,388)	(421,472)	(58,124)
Profit/(loss) attributable to:							
Owners of the Company	485,203	216,446	(721,859)	(99,549)	(185,787)	(377,280)	(52,029)
Non-controlling interests	(6,806)	(17,623)	(165,966)	(22,888)	(119,601)	(44,192)	(6,094)
	478,397	198,823	(887,825)	(122,437)	(305,388)	(421,472)	(58,124)
Other Financial Data							
EBITDA ⁽¹⁾	757,362	367,543	(133,751)	(18,445)	(24,839)	449	62
EBITDA margin ⁽²⁾	32.3%	18.0%	(26.1%)	(26.1%)	(8.1%)	0.1%	0.1%

Notes:

- (1) The calculation of earnings before interest, taxation, depreciation and amortization (“EBITDA”) excluded interest income/expenses; income tax expenses; depreciation and amortization of property, plant and equipment, intangible assets and rights-of-use assets; fair value gains/losses on investment properties; gains on disposal of subsidiaries and non-recurring income/expenses. EBITDA is not a standard measure under HKFRS. 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. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operation – Non-HKFRS Financial Measures*” for a reconciliation of our profit for the year or period under HKFRS to our definition of EBITDA. Also 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.
- (2) EBITDA margin is calculated by dividing EBITDA by revenue.

SUMMARY CONSOLIDATED FINANCIAL POSITION DATA

	As of December 31,				As of June 30,	
	2020	2021	2022		2023	
	RMB	RMB	RMB	US\$	RMB	US\$
			(In thousands)			
			(Unaudited)		(Unaudited)	(Unaudited)
Non-current assets						
Property, plant and equipment.....	301,807	288,664	285,510	39,374	277,155	38,221
Right-of-use assets.....	258,196	248,953	214,143	29,532	212,683	29,330
Investment properties	289,252	280,044	264,124	36,424	227,260	31,341
Intangible assets.....	2,443	3,232	3,748	517	3,213	443
Other receivables	13,805	11,634	11,563	1,595	11,554	1,593
Deferred income tax assets	100,234	176,033	349,805	48,240	344,957	47,571
Investments accounted for using the equity method	108,743	140,394	43,671	6,023	328	45
Total non-current assets	1,074,480	1,148,954	1,172,564	161,704	1,077,150	148,546
Current assets						
Inventories.....	1,510	1,656	1,173	162	921	127
Contract costs	18,746	39,885	120,468	16,613	130,402	17,983
Properties under development	3,714,538	7,494,460	7,330,809	1,010,965	7,197,531	992,585
Completed properties held for sale	1,680,252	1,505,612	1,347,186	185,785	1,250,129	172,401
Trade and other receivables and prepayments	1,954,427	1,299,571	1,481,623	204,325	1,397,598	192,738
Prepaid taxes	81,040	136,467	148,781	20,518	151,860	20,942
Restricted cash	323,779	1,269,375	697,625	96,207	526,248	72,573
Cash and cash equivalents	2,037,665	1,030,394	187,025	25,792	191,714	26,439
Assets classified as held for sale	–	–	–	–	35,793	4,936
Total current assets	9,811,957	12,777,420	11,314,690	1,560,367	10,882,196	1,500,723
Current liabilities						
Bank and other borrowings	1,542,827	2,238,921	1,797,073	247,828	2,702,983	372,758
Trade and other payables	1,743,259	2,392,249	1,647,784	227,240	1,430,430	197,265
Lease liabilities	5,122	5,551	4,186	577	5,573	769
Contract liabilities	1,036,001	1,565,203	2,837,108	391,255	3,126,315	431,139
Current income tax liabilities.....	348,822	430,363	393,307	54,240	384,588	53,037
Total current liabilities	4,676,031	6,632,287	6,679,458	921,139	7,649,889	1,054,968
Net current assets	5,135,926	6,145,133	4,635,232	639,228	3,232,307	445,756
Total assets less current liabilities	6,210,406	7,294,087	5,807,796	800,932	4,309,457	594,301
Non-current liabilities						
Deferred income tax liabilities	124,769	198,269	200,280	27,620	229,242	31,614
Bank and other borrowings	1,568,978	2,256,776	1,831,420	252,564	767,675	105,867
Lease liabilities	63,608	60,203	58,073	8,009	67,502	9,309
Total non-current liabilities	1,757,355	2,515,248	2,089,773	288,193	1,064,419	146,790
Net assets	4,453,051	4,778,839	3,718,023	512,739	3,245,038	447,511
Equity						
Equity attributable to owners of the parent						
Share capital.....	14,746	14,746	14,746	2,034	14,746	2,034
Other reserves	1,836,263	1,687,351	1,546,983	213,339	1,495,470	206,235
Retained earnings	1,184,234	1,407,730	685,381	94,518	308,101	42,489
	3,035,243	3,109,827	2,247,110	309,891	1,818,317	250,757
Non-controlling interests	1,417,808	1,669,012	1,470,913	202,848	1,426,721	196,754
Total equity	4,453,051	4,778,839	3,718,023	512,739	3,245,038	447,511

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 HKFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions.

OVERVIEW

We are a property developer, operator and property management service provider based in the PRC. We have land resources in Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces. We position ourselves as an "Eco-friendly and People-oriented Property Developer" (生態人文地產發展商), leveraging the natural resources, distinctive landscapes and features as well as rich culture of our selected project sites to develop homes and communities that we consider to be truly livable for our buyers. Ever since our incorporation in 2013, this positioning has been clear and we believe it is what differentiates our Group from other property developers in the PRC. As a young member of the industry, we had 15 completed project phases, 11 project phases under development and held ten project phases for our future development as of June 30, 2023.

In 2020, 2021 and 2022, our total revenue was RMB2,347.1 million, RMB2,043.1 million and RMB513.3 million (US\$70.8 million), respectively. Our profit in 2020 and 2021 were RMB478.4 million and RMB198.8 million, respectively, and our loss in 2022 was RMB887.8 million (US\$122.4 million). Our revenue increased from RMB308.2 million in the six months ended June 30, 2022 to RMB325.8 million (US\$44.9 million) in the six months ended June 30, 2023 mainly due to the increase in recognized revenue from sales of properties in the six months ended June 30, 2023. We recorded net loss of RMB305.4 million and RMB421.5 million (US\$58.1 million) in the six months ended June 30, 2022 and 2023, respectively.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

Economic conditions and market cycles in the PRC

We are a property developer based in the PRC that principally offers residential properties in Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces. In 2020, 2021 and 2022 and the six months ended June 30, 2023, all of our revenue was derived from the PRC. Our revenue is greatly affected by the demand for our properties, which is directly affected by the economic conditions in the PRC. Economic growth may allow increase in disposable income of general households in the PRC which in turn may enhance the demand for the property market in the PRC as well as property pricing trends. Also, confidence of the customers will also be boosted when the economy in the PRC is surging which also in turn drives the increase in demand for the property market in the PRC. On the contrary, if the economic growth of the PRC declines, the market demand for our properties and our revenue is likely to be adversely affected.

Regulations of the property industry in the PRC

Our operation is subject to various policies and regulations of the property industry in the PRC set out in the sections entitled "Regulation" and "Risk Factors". We are, in particular, sensitive to purchase restriction policy, financing restriction policy and other property related policy changes in the PRC, particularly in the provinces where we operate. Any changes to the policies and regulations may impose possible restrictions on our operation and, thus, our financial performance and liquidity in case of any failure to promptly and effectively adapt to such changes. Also, we may incur extra costs as policies and regulations evolve in the future. This may increase our operating costs and, hence lower our profit. We expect the demand for our properties and our operating results will continue to be affected by the regulations of the property industry in the PRC.

Timing and length of property development

Our development of property generally takes several years to complete. Though pre-sale is allowed for our properties under development as long as it satisfies certain requirements, no revenue can be recognized for the respective properties in accordance to our accounting policy until the properties have been delivered. As such, our cash flows and revenue recognition may vary from period to period and may not be matched when property is under development. Also, due to intensive capital requirements and limited supply of land, the projects undertaken during the same period of time is limited which may also affect the timing of cash flows and revenue recognition. With different property development schedules, we experienced fluctuations in our cash flows, revenue recognition and results of operation in 2020, 2021 and 2022 and the six months ended June 30, 2023 and they are likely to fluctuate in the future.

Access to and cost of financing

Land acquisition and property development are capital intensive. In 2020, 2021 and 2022 and the six months ended June 30, 2023, we generally funded our operations with our own internal funds from operation and external funds which include bank borrowings, senior notes, mortgage financing from banks and amounts due to/loans from related parties. The accessibility of bank borrowings depends on prevailing policies of the government or other regulatory bodies in the PRC, and implementation of the relevant policies by our financing banks on acquisition or construction of properties with bank financing. Our future expansion may be adversely affected in the event that we are not able to obtain sufficient financing for acquisition of new properties for development or investment should suitable opportunities arise. In addition, our bank borrowings carried variable interest rate in relation to our borrowings. In 2020, 2021 and 2022 and the six months ended June 30, 2023, our total borrowing costs amounted to RMB269.1 million, RMB242.5 million, RMB323.7 million (US\$44.6 million) and RMB158.3 million (US\$21.8 million), respectively. Thus, any changes in interest rate may affect our cost of financing and, thus, our results of operations.

Ability to obtain and costs of land

In 2020, 2021 and 2022 and the six months ended June 30, 2023, we mainly acquired land reserves through participating in public tenders, auctions and listings-for-sale organized by government authorities and acquiring equity interest in companies that hold land parcels that fit our selection criteria. We also plan to obtain development rights of collectively-owned construction land through entering into land use rights transfer agreements with collective economic organizations and completing relevant approval process. Our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to acquire land parcels for development in a timely manner or at prices that allow us to achieve reasonable return upon sales to our customers.

Our costs of land, included in the cost of sales of our consolidated statements of comprehensive income, amounted to RMB221.8 million, RMB350.7 million, RMB82.5 million (US\$11.4 million) and RMB34.5 million (US\$4.8 million) in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively, representing 16.4%, 25.9%, 24.0% and 15.4% of our total cost of properties sold for the respective year/period. Any significant increase in these costs may adversely affect our cost of properties sold rendered and lower our gross profit.

PRC land appreciation tax (“PRC LAT”)

Our sales of properties are subject to PRC LAT with respect to the appreciated value of the related land and developments on such land. PRC LAT applies to both domestic and foreign invested real estate developers in the PRC and is levied at progressive rates ranging from 30% to 60% of the appreciation of value. We recorded PRC LAT expense of RMB127.1 million, RMB58.7 million, RMB15.2 million (US\$2.1 million) and RMB0.8 million (US\$0.1 million) in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. We accrued all PRC LAT payable on our property sales and transfers in compliance with the relevant PRC LAT laws and regulations in 2020, 2021 and 2022 and the six months ended June 30, 2023. However, the provision for PRC 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 PRC LAT liabilities for provision purposes, or that such provisions will be sufficient to cover all PRC 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 AND CRITICAL ESTIMATES AND JUDGMENT

We have identified certain accounting policies that are significant to the preparation of our historical financial information. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that are subject to change. When reviewing our financial information, you should consider: (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For our accounting estimates and judgment on (i) fair value of investment properties; (ii) income taxes and deferred taxation; and (iii) PRC LAT, we have not noted material difference of our estimates from the actual results in 2020, 2021 and 2022 and the six months ended June 30, 2023. In addition, we did not make any material change in the assumptions underlying such estimates in 2020, 2021 and 2022 and the six months ended June 30, 2023. We do not currently expect the methodology and assumptions regarding such estimates to change in the foreseeable future.

IMPACT OF ADOPTION OF NEW AND AMENDMENTS TO CERTAIN ACCOUNTING POLICIES

We have applied HKFRS 9 ‘Financial instruments’, HKFRS 15 ‘Revenue from contracts with customers’ and HKFRS 16 ‘Leases’ consistently during the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2023. Based on our assessment of these new standards, we did not identify any significant impact on our financial position and performance.

RESULTS OF OPERATIONS

The following table summarizes the consolidated statements of comprehensive income from the financial statements for the periods indicated.

	Years ended December 31,				Six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(In thousands)			
Revenue.....	2,347,064	2,043,126	513,310	70,789	308,168	325,841	44,936
Cost of sales	(1,434,328)	(1,459,901)	(439,704)	(60,638)	(246,753)	(277,018)	(38,203)
Gross profit	912,736	583,225	73,606	10,151	61,415	48,823	6,733
Selling and marketing expenses.....	(124,629)	(153,328)	(66,331)	(9,147)	(37,769)	(31,746)	(4,378)
Administrative expenses.....	(140,958)	(138,088)	(117,509)	(16,205)	(55,928)	(40,548)	(5,592)
Net impairment losses on financial assets	(873)	(5,837)	(36,869)	(5,084)	(2,121)	23,419	3,230
Net impairment losses on completed properties held for sale and properties under development.....	-	-	(679,553)	(93,715)	(276,942)	(341,524)	(47,098)
Other income.....	15,826	21,567	14,326	1,976	1,798	8,755	1,207
Other expenses	(4,105)	(1,223)	(872)	(120)	(10,125)	(139)	(19)
Other gains/(losses) – net	86,721	33,430	(200,513)	(27,652)	(4,440)	(27,590)	(3,805)
Operating profit/(loss)	744,718	339,746	(1,013,715)	(139,798)	(324,112)	(360,550)	(49,722)

	Years ended December 31,				Six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(Unaudited)				(Unaudited)	(Unaudited)	(Unaudited)
(In thousands)							
Finance costs	(34,492)	(18,071)	(28,731)	(3,962)	(17,228)	(15,717)	(2,167)
Finance income	21,213	18,430	6,760	932	3,850	2,514	347
Finance income/(costs), net	(13,279)	359	(21,971)	(3,030)	(13,378)	(13,203)	(1,821)
Share of (loss)/profit of investments accounted for using the equity method	53,071	23,634	3,037	419	4,008	(7,550)	(1,041)
Profit/(loss) before income tax	784,510	363,739	(1,032,649)	(142,409)	(333,482)	(381,303)	(52,584)
Income tax expense	(306,113)	(164,916)	144,824	19,972	28,094	(40,169)	(5,540)
Profit/(loss) for the year/period	478,397	198,823	(887,825)	(122,437)	(305,388)	(421,472)	(58,124)

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue represents revenue from (i) property development and sales, (ii) hotel operations; (iii) commercial property investment; and (iv) property management services which are all derived in the PRC. Our revenue amounted to RMB2,347.1 million, RMB2,043.1 million, RMB513.3 million (US\$70.8 million) and RMB325.8 million (US\$44.9 million) in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively.

The following table sets forth, for the periods indicated, the breakdown of our revenue by segment:

	Years ended December 31,						Six months ended June 30,					
	2020		2021		2022		2022		2023			
	RMB	%	RMB	%	RMB	US\$	%	RMB	%	RMB	US\$	%
	(Unaudited)						(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
(In thousands, except for percentages)												
Property development and sales	2,248,822	95.8	1,932,452	94.5	413,765	57,061	80.6	259,853	84.3	271,420	37,431	83.3
Hotel operations	61,390	2.6	78,771	3.9	64,484	8,893	12.6	32,427	10.6	35,589	4,908	10.9
Commercial property investment	18,561	0.8	9,747	0.5	6,234	860	1.2	3,231	1.0	3,192	440	1.0
Property management	18,291	0.8	22,156	1.1	28,827	3,975	5.6	12,657	4.1	15,640	2,157	4.8
Total	2,347,064	100.0	2,043,126	100.0	513,310	70,789	100.0	308,168	100.0	325,841	44,936	100.0

Property development and sales

We focus on the development of quality residential properties with comfortable and convenient living environment. The following table sets forth, for the periods indicated, the breakdown of our revenue from property development and sales and the respective aggregate GFA delivered by geographical location.

	Years ended December 31,						Six months ended June 30,										
	2020			2021			2022			2022			2023				
	Recognized revenue from sales of properties	% of recognized revenue from sale of properties	Total GFA delivered	Recognized revenue from sales of properties	% of recognized revenue from sale of properties	Total GFA delivered	Recognized revenue from sales of properties	% of recognized revenue from sale of properties	Total GFA delivered	Recognized revenue from sales of properties	% of recognized revenue from sale of properties	Total GFA delivered	Recognized revenue from sales of properties	% of recognized revenue from sale of properties	Total GFA delivered		
	RMB'000	%	Sq.m.	RMB'000	%	Sq.m.	RMB'000	%	Sq.m.	RMB'000	%	Sq.m.	RMB'000	%	Sq.m.		
Guangzhou	510,461	22.8%	33,950	167,371	8.7%	9,386	49,980	12.1%	3,992	(Unaudited)	32,573	12.4%	1,910	(Unaudited)	5,979	2.2%	457
Lingshui	191,466	8.5%	8,241	17,361	0.9%	642	-	-	-	-	-	-	-	-	-	-	-
Zhongshan	27,855	1.2%	1,218	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tengchong	677,031	30.1%	75,377	472,674	24.5%	33,676	89,602	21.7%	10,581	23,259	9.0%	1,794	42,137	15.5%	4,625	15.5%	4,625
Zhaoqing	141,532	6.3%	8,111	503,394	26.0%	63,798	91,952	22.2%	12,150	74,220	28.6%	9,517	15,683	5.8%	2,016	5.8%	2,016
Qingyuan	440,967	19.6%	76,868	444,101	23.0%	78,079	84,765	20.5%	18,507	60,040	23.1%	11,393	186,579	68.7%	43,472	68.7%	43,472
Lingao	23,476	1.0%	3,175	88,628	4.6%	12,597	43,266	10.5%	6,992	32,875	12.7%	5,187	8,065	3.0%	1,279	3.0%	1,279
Zhuzhou	162,127	7.2%	28,792	87,930	4.5%	17,118	32,357	7.8%	6,569	25,303	9.7%	5,105	9,955	3.7%	2,315	3.7%	2,315
Others ^(Note)	73,907	3.3%	N/A	150,993	7.8%	N/A	21,843	5.2%	N/A	11,583	4.5%	N/A	3,022	1.1%	N/A	1.1%	N/A
Total/overall	2,248,822	100.0%	235,732	1,932,452	100.0%	215,296	413,765	100.0%	58,791	259,853	100.0%	34,906	271,420	100.0%	54,164	100.0%	54,164

Note: Others represented service income from property development and management.

In 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue from property development and sales was derived from properties mainly located in Guangzhou, Zhaoqing, Tengchong, Qingyuan and Zhuzhou. Revenues are recognized when or as the control of the asset is transferred to the customer.

Consistent with industry practice, we generally enter into provisional sale and purchase agreements with our customers in relation to our property development business in the development stage of our properties, and thus, pre-sale commences in compliance with the applicable PRC laws and regulations. Deposits and installments received from our customers prior to meeting the criteria for revenue recognition are included in the consolidated statements of financial position under current liabilities.

Our revenue generated from property development and sales is mainly affected by the GFA of our properties delivered and their respective ASP. The ASP is generally affected by a number of factors mainly included the type of building, locations, market condition and demand and costs of development. As a result, our recognized ASP is mainly affected by the different types of properties delivered during the financial year.

The increase in our revenue from property development and sales in the six months ended June 30, 2023 were mainly due to the growth in the aggregate GFA completed and delivered. The decrease in our revenue from property development and sales in 2022 was mainly due to a combined effect of declines in both aggregate GFA delivered and the recognized ASP.

Hotel operations

Apart from our core business, we also operate Just Stay Hotel and Just Stay Resort under our hotel operations business starting from 2016 and 2017, respectively. Our revenue from hotel operations include leasing of our hotel rooms, revenue from our self-operated restaurants and food and beverage outlets, and revenue from operations of hot spring facilities. In 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue from hotel operations services were RMB61.4 million, RMB78.8 million, RMB64.5 million (US\$8.9 million) and RMB35.6 million (US\$4.9 million), respectively.

Our revenue generated from hotel operations is mainly affected by the total room available of our customers, occupancy rates and their respective room rate. Our revenue from hotel operations decreased to RMB61.4 million in 2020 due to the impact of COVID-19. Our revenue from hotel operations increased to RMB78.8 million in 2021 due to our upgraded customer experience and strengthened market activities. Our revenue from hotel operations decreased to RMB64.5 million in 2022, primarily due to the COVID-19 pandemic with a particularly serious situation in the fourth quarter of 2022, which was the traditional peak season of our hotel operations. Our revenue from hotel operations increased to RMB35.6 million in the six months ended June 30, 2023, in comparison to in the six months ended June 30, 2022, primarily due to the recovery in pent-up demand for travels in the post-pandemic era, leading to a recovery in demand for resort hotels.

Property management

Since January 1, 2016, we also derived income from our property management provided to purchasers of the residential properties we developed. In 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue from property management services were RMB18.3 million, RMB22.2 million, RMB28.8 million (US\$4.0 million) and RMB15.6 million (US\$2.2 million), respectively.

Our property management services generally include security, cleaning, gardening, car park management and repair and maintenance services. In 2020, 2021 and 2022 and the six months ended June 30, 2023, we charged a range of RMB1.8 per sq.m. per month to RMB5.8 per sq.m. per month for different types of properties. Our revenue from property management services is mainly affected by the total GFA managed by us and their respective types of properties. As our management services is charged on a per sq.m. basis, our revenue from property management services increased mainly due to increase in 2021, 2022 and the six months ended June 30, 2023 in total GFA of the properties we provided property management services.

Cost of sales

Our cost of sales comprise (i) cost of properties sold which is directly associated with the revenue from the property development and sales during the respective year; (ii) costs in relation to the hotel operations; (iii) costs in relation to commercial property investment which is directly associated with rental income derived from our investment properties; and (iv) costs directly attributable to the provision of property management.

The following table sets out the breakdown of our cost of sales by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,					
	2020		2021		2022		2022		2023			
	RMB	%	RMB	%	RMB	US\$	%	RMB	%	RMB	US\$	%
					(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
	(In thousands, except for percentages)											
Property development and sales.....	1,349,737	94.1	1,353,097	92.6	343,618	47,387	78.1	204,591	82.9	224,528	30,964	81.0
Hotel operations.....	62,192	4.3	71,563	4.9	69,200	9,543	15.7	30,853	12.5	37,098	5,116	13.4
Commercial property investment.....	2,222	0.2	462	0.1	308	42	0.2	245	0.1	173	24	0.1
Property management.....	20,177	1.4	34,779	2.4	26,578	3,665	6.0	11,064	4.5	15,219	2,099	5.5
Total.....	1,434,328	100.0	1,459,901	100.0	439,704	60,638	100.0	246,753	100.0	277,018	38,203	100.0

Property development and sales

Our cost of property development and sales is our main cost of sales, accounting for 94.1%, 92.6%, 78.1% and 81.0% of our total cost of sales in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively, which mainly include construction cost, land cost and capitalized interest expense.

Consistent with industry practice, we generally recognize its costs when the respective revenue from sale of properties have been recognized in accordance with our accounting policies. Costs incurred during development stage prior to meeting the evidence for recognition are included in the consolidated statements of financial position under properties under development, while the costs of properties which were unsold as of reporting date are included in the consolidated statements of financial position under completed properties held for sale.

Construction cost

Our construction cost includes all costs incurred including payments to third party contractors for construction works such as material costs and labor costs. In 2020, 2021 and 2022 and the six months ended June 30, 2023, our construction cost amounted to RMB1,007.7 million, RMB816.3 million, RMB228.8 million (US\$31.6 million) and RMB177.7 million (US\$24.5 million), respectively, which accounted for 74.7%, 60.3%, 66.6% and 79.1% of our cost of properties sold for the respective year/period.

Land cost

Our land cost mainly comprises costs in relation to the acquisition of land. In 2020, 2021 and 2022 and the six months ended June 30, 2023, the costs recognized were mainly for our JY Lychee Town Phase I&II, JY Hot Spring Villas, JY Clearwater Bay No. 3, JY Gaoligong Town Phase I&II, JY Grand Garden Phase I&II, JY Mountain Lake Gulf Phase I, JY Egret Bay Phase I and JY Uniworld.

Capitalized interest expense

Our capitalized interest expense represents the cost of borrowings to the extent that such cost is directly attributable to the acquisition of land and construction of our properties during the period which incurred until the completion of assets refinement. In 2020, 2021 and 2022 and the six months ended June 30, 2023, our capitalized interest expense amounted to RMB62.7 million, RMB53.6 million, RMB13.1 million (US\$1.8 million) and RMB7.5 million (US\$1.0 million), respectively.

Hotel operations

Our operating cost of hotel operations comprised of cost of food and beverage in all our restaurants and food and beverage outlets and other hotel facilities maintenance. The operating costs increased by 20.2% in the six months ended June 30, 2023 as compared to that of June 30, 2022.

Commercial property investment

Our operating cost of commercial property investment primarily included all cost in relation to leasing such as property maintenance expenses.

Property management

Our operating cost of property management primarily included staff cost for providing such services, such as security. Such costs increased as a result of increase in manpower and resources involved in more properties which we provided such services for.

Gross profit and gross profit margin

The following table sets forth a breakdown of gross profit and gross profit margin by segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,					
	2020		2021		2022		2022		2023			
	Gross profit RMB	Gross profit margin %	Gross profit RMB	Gross profit margin %	Gross profit		Gross profit RMB	Gross profit margin %	Gross profit		Gross profit margin %	
					RMB	US\$	%			RMB	US\$	%
					(Unaudited)		(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
(In thousands, except for percentages)												
Property development and sales	899,085	40.0	579,355	30.0	70,147	9,674	17.0	55,262	21.3	46,892	6,467	17.3
Hotel operations	(802)	-	7,208	9.2	(4,716)	(650)	-	1,574	4.9	(1,509)	(208)	-
Commercial property investment.....	16,339	88.0	9,285	95.3	5,926	817	95.1	2,986	92.4	3,019	416	94.6
Property management.....	(1,886)	-	(12,623)	-	2,249	310	7.8	1,593	12.6	421	58	2.7
Total/overall	<u>912,736</u>	<u>38.9</u>	<u>583,225</u>	<u>28.5</u>	<u>73,606</u>	<u>10,151</u>	<u>14.3</u>	<u>61,415</u>	<u>19.9</u>	<u>48,823</u>	<u>6,733</u>	<u>15.0</u>

In 2020, 2021 and 2022 and the six months ended June 30, 2023, our gross profit amounted to RMB912.7 million, RMB583.2 million, RMB73.6 million (US\$10.2 million) and RMB48.8 million (US\$6.7 million), respectively. The respective gross profit margin was 38.9%, 28.5%, 14.3% and 15.0%, respectively. The decrease in our gross profit margin from 38.9% in 2020 to 14.3% in 2022 and from 19.9% in the six months ended June 30, 2022 to 15.0% in the six months ended June 30, 2023 was mainly due to lower recognised average selling price as well.

Selling and marketing expenses

Our selling and marketing expenses consist primarily of advertising costs, commission fee, employee benefit expenses and other selling expenses.

Our selling and marketing expenses amounted to RMB124.6 million, RMB153.3 million, RMB66.3 million (US\$9.1 million) and RMB31.7 million (US\$4.4 million) in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively, which accounted for 5.3%, 7.5%, 12.8% and 9.7% to our total revenue for the respective period.

Advertising costs

Our advertising costs, which fluctuated in accordance with the schedule of pre-sale or sale of our properties at early stage, amounted to RMB40.4 million, RMB51.1 million, RMB22.8 million (US\$3.1 million) and RMB10.2 million (US\$1.4 million) in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively.

Commission fee

In accordance with HKFRS 15, upon entering a contract with a customer, we recognize the incremental costs of obtaining a contract with a customer if we expect to recover these costs. Our management expects the commission fee, primarily sale commission as a result of obtaining the property sale contracts, is recoverable. We have capitalized the amounts and recognized as expenses when the related revenue is recognized. In 2020, 2021 and 2022 and the six months ended June 30, 2023, the amounts of commission fee were RMB64.2 million, RMB79.2 million, RMB16.9 million (US\$2.3 million) and RMB14.1 million (US\$1.9 million), respectively.

Employee benefit expenses

Our employee benefit expenses recorded in selling and marketing expenses represented staff cost in relation to our marketing staff which amounted to RMB13.3 million, RMB24.3 million, RMB23.5 million (US\$3.2 million) and RMB8.0 million (US\$1.1 million) in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively. The fluctuation of employee benefit expenses was mainly due to the change in number of marketing staff and their performance-based bonus.

Administrative expenses

Administrative expenses primarily comprised of employee benefit expenses, entertainment expenses for our business, office expenses and traveling expenses.

Administrative expenses amounted to RMB141.0 million, RMB138.1 million, RMB117.5 million (US\$16.2 million) and RMB40.5 million (US\$5.6 million) in 2020, 2021 and 2022 and the six months ended June 30, 2023, respectively.

Other income

Our other income primarily represented interest income from a related party, forfeited deposits from our customers in relation to the sales of properties and government grants.

Other expenses

Our other expenses primarily represented donations to charitable organizations.

Other gains/(losses) – net

Our other net gains/(losses) primarily represented fair value gains or losses on investment properties, gains or losses on disposal of subsidiaries, fair value gain on the remeasurement of investment in a joint venture, gains or losses on disposals of property, plant and equipment, interest on financial assets at fair value through profit or loss and net foreign exchange (losses)/gains. The following table sets forth a breakdown of our other net gains/(losses) for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(In thousands)			
Interests on financial assets at fair value							
through profit or loss	3,844	2,531	92	13	49	11	2
Gains/(losses) on disposals of property, plant and equipment	157	(78)	8,473	1,168	8,710	(16,053)	(2,214)
Fair value gains/(losses) on investment properties	68,042	(9,208)	(15,920)	(2,195)	(3,669)	(3,977)	(548)
Fair value gain on the remeasurement of investment in a joint venture	-	34,121	-	-	-	-	-
Gains/(losses) on disposal of subsidiaries	151	-	(121,438)	(16,747)	-	-	-
Gains/(losses) on disposal of an associate	-	-	(5,622)	(775)	-	-	-
Net impairment losses on right-of-use assets	-	-	(25,180)	(3,472)	-	(8,584)	(1,184)
Gains on termination of leases	-	-	-	-	-	627	86
Net foreign exchange (losses)/gains	14,527	6,064	(16,084)	(2,218)	(9,530)	386	53
A penalty for delay payment of land payment	-	-	(24,834)	(3,425)	-	-	-
	<u>86,721</u>	<u>33,430</u>	<u>(200,513)</u>	<u>(27,652)</u>	<u>(4,440)</u>	<u>(27,590)</u>	<u>(3,805)</u>

Other net gains amounted to RMB86.7 million and RMB33.4 million in 2020 and 2021, respectively. Other net losses amounted to RMB200.5 million (US\$27.7 million) and RMB27.6 million (US\$3.8 million) in 2022 and the six months ended June 30, 2023, respectively.

Fair value gains/(losses) on investment properties

Our completed investment properties mainly comprised of retail properties in 2020, 2021 and 2022 and the six months ended June 30, 2023. The fair value of our investment properties as of December 31, 2020, 2021 and 2022 and June 30, 2023 have been valued by the property valuer. For retail properties, fair values are generally derived using the term and reversionary method. This method is based on the tenancy agreements as of the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Our gains arising on change in fair value of investment properties were RMB68.0 million in 2020. Our losses arising on change in fair value of investment properties were RMB9.2 million, RMB15.9 million (US\$2.2 million) and RMB4.0 million (US\$0.6 million) in 2021 and 2022 and the six months ended June 30, 2023, respectively.

The fair value gains/(losses) of investment properties were non-cash gains/(losses) which did not constitute any cash effect to our financial results.

Finance finance costs/(income) – net

Finance finance costs/(income) – net comprise mainly interest expense on borrowings and leases net of capitalized interest expenses, losses of early redemption of bank borrowings, net exchange gains or losses on foreign currency borrowings and interest income from bank deposits. The following table sets forth a breakdown of our finance costs/(income) – net for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(In thousands)			
<i>Finance costs</i>							
Interest expense on bank and other borrowings.....	269,124	242,526	314,613	43,387	152,715	158,291	21,829
Interest expense on leases	3,261	3,208	3,042	420	1,543	1,516	209
Losses of early redemption of bank borrowings	-	-	9,120	1,258	-	-	-
Net exchange (gains)/losses on foreign currency borrowings	(2,886)	6,007	1,032	142	7,434	907	125
Less: interest capitalized	(235,007)	(233,670)	(299,076)	(41,244)	(144,464)	(144,997)	(19,996)
	34,492	18,071	28,731	3,962	17,228	15,717	2,167
<i>Finance income</i>							
Interest income from bank deposits	(21,213)	(18,430)	(6,760)	(932)	(3,850)	(2,514)	(347)
Finance costs/(income) – net	13,279	(359)	21,971	3,030	13,378	13,203	1,821

In accordance with applicable accounting policies, general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Thus, the capitalized interest expense fluctuated in 2020, 2021 and 2022 and the six months ended June 30, 2023 based on the extent of borrowings involved in and the progress of purchase of lands and constructions of our properties.

Income tax expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(ii) PRC corporate income tax

Our Group is subject to PRC corporate income tax which has been provided at corporate income tax rate of 25%.

(iii) PRC LAT

PRC LAT is levied at progressive rates ranging from 30% to 60% of the appreciation value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and property development expenditures.

(iv) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the group companies did not have assessable profit in Hong Kong in 2020, 2021 and 2022 and the six months ended June 30, 2023.

Our income tax expenses were RMB306.1 million, RMB164.9 million and RMB40.2 million (US\$5.5 million) in 2020, 2021 and the six months ended June 30, 2023, respectively; we recorded income tax credit of RMB144.8 million (US\$20.0 million) in 2022.

Up to June 30, 2023, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

RESULTS OF OPERATIONS

Six months ended June 30, 2023 compared to six months ended June 30, 2022

Revenue

Our revenue increased by 5.7% from RMB308.2 million in the six months ended June 30, 2022 to RMB325.8 million (US\$44.9 million) in the six months ended June 30, 2023.

Property development and sales

Our revenue from property development and sales increased from RMB259.9 million in the six months ended June 30, 2022 to RMB271.4 million (US\$37.4 million) in the six months ended June 30, 2023. The increase in revenue recognized was primarily due to the growth in the aggregate GFA completed and delivered.

Hotel operations

Our revenue from hotel operations increased from RMB32.4 million in the six months ended June 30, 2022 to RMB35.6 million (US\$4.9 million) in the six months ended June 30, 2023. The increase in the six months ended June 30, 2023 was primarily due to the recovery in pent-up demand for travels in the post-pandemic era, leading to a recovery in demand for resort hotels.

Commercial property investment

Our revenue from commercial property investment remained stable at RMB3.2 million (US\$0.4 million) in the six months ended June 30, 2022 and 2023.

Property management

Our revenue from property management services increased from RMB12.7 million in the six months ended June 30, 2022 to RMB15.6 million (US\$2.2 million) in the six months ended June 30, 2023 mainly due to an increase in GFA of properties under management.

Cost of sales

Cost of sales increased by 12.2% from RMB246.8 million in the six months ended June 30, 2022 to RMB277.0 million (US\$38.2 million) in the six months ended June 30, 2023. The increase in cost of sales was primarily due to the increase in the aggregate GFA completed and delivered.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased by 20.5% from RMB61.4 million in the six months ended June 30, 2022 to RMB48.8 million (US\$6.7 million) in the six months ended June 30, 2023. Our gross profit margin decreased from 19.9% in the six months ended June 30, 2022 to 15.0% in the six months ended June 30, 2023, which was mainly due to decrease in gross profit margin of property development and sales segment from 21.3% in the six months ended June 30, 2022 to 17.3% in the six months ended June 30, 2023 mainly due to lower recognised average selling price.

Selling and marketing expenses

Selling and marketing expenses decreased by 16.1% from RMB37.8 million in the six months ended June 30, 2022 to RMB31.7 million (US\$4.4 million) in the six months ended June 30, 2023. The decrease was mainly attributable to the efforts on relevant cost control measures over marketing expenses throughout the period.

Administrative expenses

Administrative expenses decreased by 27.5% from RMB55.9 million in the six months ended June 30, 2022 to RMB40.5 million (US\$5.6 million) in the six months ended June 30, 2023 resulting from continued cost control measures imposed.

Other income

Other income increased from RMB1.8 million in the six months ended June 30, 2022 to RMB8.8 million (US\$1.2 million) in the six months ended June 30, 2023.

Other expenses

Other expenses decreased from RMB10.1 million in the six months ended June 30, 2022 to RMB0.1 million (US\$19,169) in the six months ended June 30, 2023.

Other gains/(losses) – net

Our other gains/(losses) – net increased from net losses of RMB4.4 million in the six months ended June 30, 2022 to net losses of RMB27.6 million (US\$3.8 million) in the six months ended June 30, 2023, mainly attributable to the non-recurring losses on disposal of investment properties amounted to RMB16.1 million (US\$2.2 million) and increase in impairment losses on right-of-use assets.

Finance (income)/costs – net

Our finance (income)/costs – net decreased from finance costs of RMB13.4 million in the six months ended June 30, 2022 to finance costs of RMB13.2 million (US\$1.8 million) in the six months ended June 30, 2023, mainly due to the decrease in net exchange losses on foreign currency borrowings.

Income tax expense

Income tax expense changed from income tax credit of RMB28.1 million in the six months ended June 30, 2022 to income tax expense of RMB40.2 million (US\$5.5 million) in the six months ended June 30, 2023, which was mainly due to increase in effect of losses not recognized as deferred income tax assets.

Loss for the period

As a result of the aforementioned, we recorded a net loss of RMB421.5 million (US\$58.1 million) for the six months ended June 30, 2023, as compared to a net loss of RMB305.4 million for the six months ended June 30, 2022.

Year ended December 31, 2022 compared to year ended December 31, 2021

Revenue

Our revenue decreased by 74.9% from RMB2,043.1 million in 2021 to RMB513.3 million (US\$70.8 million) in 2022.

Property development and sales

Our revenue from property development and sales decreased from RMB1,932.5 million in 2021 to RMB413.8 million (US\$57.1 million) in 2022. The decrease was primarily due to a combined effect of declines in both aggregate GFA delivered and the recognized ASP.

Hotel operations

Our revenue from hotel operations decreased from RMB78.8 million in 2021 to RMB64.5 million (US\$8.9 million) in 2022. The decrease was due to the COVID-19 pandemic with a particularly serious situation in the fourth quarter of 2022, which was the traditional peak season of our hotel operations.

Commercial property investment

Our revenue from commercial property investment decreased from RMB9.7 million in 2021 to RMB6.2 million (US\$0.9 million) in 2022. The decrease was due to the continued prevalence of COVID-19 pandemic in 2022.

Property management

Our revenue from property management services increased from RMB22.2 million in 2021 to RMB28.8 million (US\$4.0 million) in 2022, mainly due to an increase in GFA of the properties under management.

Cost of sales

Our cost of sales decreased from RMB1,459.9 million in 2021 to RMB439.7 million (US\$60.6 million) in 2022. The decrease was primarily due to the less properties delivered in 2022.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased from RMB583.2 million in 2021 to RMB73.6 million (US\$10.1 million) in 2022. Our gross profit margin decreased to 14.3% in 2022 from 28.5% in 2021, mainly due to decrease in gross profit margin from our property development and sales which largely resulted from lower recognized ASP.

Selling and marketing expenses

Our selling and marketing expenses decreased from RMB153.3 million in 2021 to RMB66.3 million (US\$9.1 million) in 2022, mainly due to the efforts on cost control measures over marketing expenses throughout the year.

Administrative expenses

Administrative expenses decreased from RMB138.1 million in 2021 to RMB117.5 million (US\$16.2 million) in 2022, primarily resulted from continuous cost-control measures imposed.

Other income

Other income decreased from RMB21.6 million in 2021 to RMB14.3 million (US\$2.0 million) in 2022, primarily due to the decrease in government grants by RMB17.1 million (US\$2.4 million).

Other expenses

Other expenses decreased from RMB1.2 million in 2021 to RMB0.9 million (US\$0.1 million) in 2022.

Other gains – net

Our other gains – net changed from a net gain of RMB33.4 million in 2021 to a net loss of RMB200.5 million (US\$27.7 million) in 2022, mainly attributable to the nonrecurring losses on disposal of subsidiaries amounted to RMB121.4 million (US\$16.7 million) in 2022.

Finance costs/(income) – net

Finance costs/(income) – net changed from net finance income of RMB0.4 million in 2021 to net finance costs of RMB22.0 million (US\$3.0 million) in 2022, mainly due to the increase in cost of borrowings and leases charged to finance costs.

Income tax expense

Income tax expense was RMB164.9 million in 2021 while we recorded tax credit of RMB144.8 million (US\$20.0 million) in 2022, which was mainly due to loss position in the year of 2022.

(Loss)/profit for the year

As a result of the aforementioned, we recorded a net loss of RMB887.8 million (US\$122.4 million) in 2022, as compared to a net profit of RMB198.8 million in 2021.

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

Revenue

Our revenue decreased by 13.0% from RMB2,347.1 million in 2020 to RMB2,043.1 million in 2021.

Property development and sales

Our revenue from property development and sales decreased from RMB2,248.8 million in 2020 to RMB1,932.5 million in 2021. The decrease was primarily due to a decline in the overall ASP as a result of change in the portfolio of properties delivered.

Hotel operations

Our revenue from hotel operations increased from RMB61.4 million in 2020 to RMB78.8 million in 2021. The increase, despite the bleak performance in the first half of 2020 due to the outbreak of COVID-19 pandemic, was due to our operation of hotels with efforts on upgrading customer experience and strengthening marketing activities.

Commercial property investment

Our revenue from commercial property investment decreased from RMB18.6 million in 2020 to RMB9.7 million in 2021. The decrease was due to less GFA leased by us throughout the year of 2021 mainly as a result of the disposal of a commercial project located in Zhongshan in December 2020.

Property management

Our revenue from property management services increased from RMB18.3 million in 2020 to RMB22.2 million in 2021, mainly due to an increase in GFA of the properties under management.

Cost of sales

Our cost of sales increased from RMB1,434.3 million in 2020 to RMB1,459.9 million in 2021. The increase was primarily due to an increase in land costs.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit decreased from RMB912.7 million in 2020 to RMB583.2 million in 2021. Our gross profit margin decreased to 28.5% from 38.9% in 2020, mainly due to decrease in gross profit margin from our property development and sales which largely resulted from lower recognized ASP as well as the increase in average land costs.

Selling and marketing expenses

Our selling and marketing expenses increased from RMB124.6 million in 2020 to RMB153.3 million in 2021, mainly due to the increase in commission fees and advertising costs to strengthen our brand influence and accelerate the pace of sales.

Administrative expenses

Administrative expenses decreased from RMB141.0 million in 2020 to RMB138.1 million in 2021, primarily resulted from continuous cost-control measures imposed.

Other income

Other income increased from RMB15.8 million in 2020 to RMB21.6 million in 2021, primarily due to an increase in government grants received.

Other expenses

Other expenses decreased from RMB4.1 million in 2020 to RMB1.2 million in 2021.

Other gains – net

Our other gains – net decreased from RMB86.7 million in 2020 to RMB33.4 million in 2021, mainly attributable to the decrease in gains from changes of fair value on investment properties of RMB77.3 million, which was partially offset by the fair value gain on remeasurement of investment in a joint venture amounted to RMB34.1 million in 2021.

Finance costs/(income) – net

Finance costs/(income) – net changed from costs of RMB13.3 million in 2020 to income of RMB0.4 million in 2021, mainly due to decrease in interest expenses charged to finance costs of RMB25.3 million.

Income tax expense

Income tax expense decreased from RMB306.1 million in 2020 to RMB164.9 million in 2021, which was mainly due to decrease in assessable profits for the year of 2021.

Profit for the year

As a result of the aforementioned, profit for the year decreased from RMB478.4 million in 2020 to RMB198.8 million in 2021, representing a year-on-year decrease of 58.4%.

EBITDA

The following table reconciles our profit/(loss) for the year or period presented under HKFRS to our definition of EBITDA for the year or period indicated:

	Year ended December 31,				Six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
					(Unaudited)	(Unaudited)	(Unaudited)
				(In thousands)			
Profit/(loss) for the year/period	478,397	198,823	(887,825)	(122,437)	(305,388)	(421,472)	(58,124)
Adjusted for:							
Fair value (gains)/losses on investment properties	(68,042)	9,208	15,920	2,195	3,669	3,977	548
(Gains)/losses on disposal of subsidiaries	(151)	-	121,438	16,747	-	-	-
Losses on disposal of an associate	-	-	5,622	775	-	-	-
Fair value gain on the remeasurement of investment in a joint venture	-	(34,121)	-	-	-	-	-
Finance costs/(income) – net	13,279	(359)	21,971	3,030	13,378	13,203	1,821
income tax expense	306,113	164,916	(144,824)	(19,972)	(28,094)	40,169	5,540
Depreciation and amortization of property, plant and equipment, intangible assets and right-of-use assets ...	27,766	29,076	29,214	4,029	14,654	14,464	1,995
Net impairment losses on completed properties held for sale and properties under development	-	-	679,553	93,715	276,942	341,524	47,098
Net impairment losses on right-of-use assets	-	-	25,180	3,472	-	8,584	1,184
EBITDA (Unaudited)	<u>757,362</u>	<u>367,543</u>	<u>(133,751)</u>	<u>(18,445)</u>	<u>(24,839)</u>	<u>449</u>	<u>62</u>

EBITDA refers to our earnings before the following items: interest income/expenses; income tax expenses; depreciation and amortization of property, plant and equipment, intangible assets and rights-of-use assets; fair value gains/losses on investment properties; gains on disposal of subsidiaries and non-recurring income/expenses.

EBITDA is not a standard measure under HKFRS. 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.

CAPITAL EXPENDITURES

Our Group's capital expenditures have principally consisted of expenditures on acquisitions of investment properties, property, plant and equipment for self-use and intangible assets for our operations.

In 2020, 2021 and 2022 and the six months ended June 30, 2023, our Group incurred capital expenditures of RMB10.0 million, RMB7.4 million, RMB3.3 million (US\$0.5 million) and RMB0.5 million (US\$0.1 million), respectively, majority of which came from acquisition of properties, plant and equipment.

LIQUIDITY AND CAPITAL RESOURCES

Our operations are capital intensive, and our primary uses of cash are for the payment of acquisition of land, cost of constructions, maintenances of our hotel operations, staff costs, various operating expenses and capital expenditure and have been funded through a combination of cash generated mainly from our operations, bank borrowings and issuance of senior notes.

Cash Flow

The following table summarizes, for the periods indicated, our statements of cash flows for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(In thousands)			
Net cash (used in)/generated from operating activities ...	(1,571,215)	(1,717,829)	471,141	64,973	180,763	419,047	57,789
Net cash used in investing activities	(146,076)	(23,360)	(96,257)	(13,274)	(34,591)	(33,052)	(4,558)
Net cash generated from/(used in) financing activities ...	2,832,383	745,565	(1,237,392)	(170,644)	(724,327)	(381,489)	(52,610)
Net increase/(decrease) in cash and cash equivalents.....	1,115,092	(995,624)	(862,508)	(118,945)	(578,155)	4,506	621
Exchange (losses)/gains on cash and cash equivalents ...	(34,360)	(11,647)	19,139	2,639	6,845	183	25
Cash and cash equivalents at beginning of year/period...	956,933	2,037,665	1,030,394	142,098	1,030,394	187,025	25,792
Cash and cash equivalents at end of year/period	2,037,665	1,030,394	187,025	25,792	459,084	191,714	26,439

Operating activities

In 2020, 2021 and 2022 and the six months ended June 30, 2023, our cash inflow from operating activities was principally from the receipt of proceeds for our sale of properties, hotel operations, rental income and properties management service fee. Our cash outflow used in operating activities was principally for acquisition of land, construction of properties and other cost of operations. Being a property developer, operator and property management service provider, we constantly invest our available funds to sustain our operations, such as expanding our land bank and developing quality properties which is mainly reflected in the increase in our properties under development. In order to expand our business, we require funds to acquire land for, and development of, our property development projects. Our projects have been generally funded through cash generated from operations including proceeds from the pre-sale and sale of our properties, bank loans and issuance of senior notes.

To improve our operating cash flow position, we will continue to strengthen our sales and marketing efforts in respect of the pre-sales and sales of our properties, and our efforts to collect trade receivables from our customers in a timely manner. We also plan to optimize the payment schedule of our construction costs for our property development through negotiations and maintenance of good relationship with our construction contractors so as to match with our property sales plans and our recovery of sales proceeds.

In the six months ended June 30, 2023, we had net cash generated from operating activities of RMB419.0 million (US\$57.8 million), mainly as a result of the cash generated from operations of RMB581.1 million (US\$80.1 million), income tax paid of RMB23.9 million (US\$3.3 million) and interest paid of RMB138.1 million (US\$19.0 million). The positive changes in working capital of RMB598.8 million (US\$82.6 million) primarily reflected the (i) increase in contract liabilities of RMB289.2 million (US\$39.9 million); (ii) decrease in restricted cash of RMB171.4 million (US\$23.6 million); and (iii) decrease in trade and other receivables of RMB168.7 million (US\$23.3 million). The positive changes in working capital were partially offset by the decrease in trade and other payables of RMB59.5 million (US\$8.2 million).

In 2022, we had net cash generated from operating activities of RMB471.1 million (US\$65.0 million), mainly as a result of the cash generated from operations of RMB892.5 million (US\$123.1 million), income tax paid of RMB105.0 million (US\$14.5 million) and interest paid of RMB316.3 million (US\$43.6 million). The positive changes in working capital of RMB997.2 million (US\$137.5 million) primarily reflected the (i) increase in contract liabilities of RMB1,271.9 million (US\$175.4 million); (ii) increase in restricted cash of RMB522.6 million (US\$72.1 million); and (iii) increase in the trade and other payables of RMB66.8 million (US\$9.2 million). The positive changes in working capital were partially offset by the increase in properties under development and completed properties held for sale and inventories of RMB698.4 million (US\$96.3 million).

In 2021, we had net cash used in operating activities of RMB1,717.8 million, mainly as a result of the cash used in operations of RMB1,387.5 million, income tax paid of RMB66.6 million and interest paid of RMB263.7 million. The negative changes in working capital of RMB1,726.9 million primarily reflected the (i) increase in properties under development and completed properties held for sale and inventories of RMB2,039.6 million; and (ii) increase in restricted cash of RMB735.7 million. The negative changes in working capital were partially offset by the decrease in trade and other receivables and prepayments of RMB1,140.2 million.

In 2020, we had net cash used in operating activities of RMB1,571.2 million, mainly as a result of the cash used in operations of RMB1,166.4 million, income tax paid of RMB153.4 million and interest paid of RMB251.4 million. The negative changes in working capital of RMB1,854.0 million primarily reflected the (i) increase in trade and other receivables and prepayments of RMB1,455.4 million; (ii) decrease in amount due to related parties – trade balance of RMB50.0 million; and (iii) increase in properties under development and completed properties held for sale and inventories of RMB262.6 million. The negative changes in working capital were partially offset by the increase in prepaid taxes of RMB19.2 million.

Investing activities

In the six months ended June 30, 2023, we had net cash used in investing activities of RMB33.1 million (US\$4.6 million) primarily attributable to cash advanced to related parties of RMB82.6 million (US\$11.4 million), partially offset by (i) proceeds from disposal of financial assets at fair value through profit or loss of RMB40.0 million (US\$5.5 million); and (ii) proceeds from disposal of an associate of RMB30.0 million (US\$4.1 million).

In 2022, we had net cash used in investing activities of RMB96.3 million (US\$13.3 million) primarily attributable to (i) purchases of financial assets at fair value through profit or loss of RMB445.5 million (US\$61.4 million); and (ii) cash advanced to related parties of RMB222.7 million (US\$30.7 million), partially offset by proceeds from disposal of financial assets at fair value through profit or loss of RMB445.6 million (US\$61.5 million).

In 2021, we had net cash used in investing activities of RMB23.4 million primarily attributable to (i) investments in associates of RMB55.3 million; and (ii) cash advanced to related parties of RMB17.2 million, partially offset by dividends received from an associate of RMB30.0 million.

In 2020, we had net cash used in investing activities of RMB146.1 million primarily attributable to (i) cash advanced to related parties of RMB111.3 million and (ii) investment in joint ventures of RMB27.0 million, partially offset by interest received of RMB21.2 million.

Financing activities

In the six months ended June 30, 2023, we had net cash used in financing activities of RMB381.5 million (US\$52.6 million) primarily attributable to (i) repayment of borrowings of RMB231.3 million (US\$31.9 million), and (ii) repayments to non-controlling interests of RMB147.9 million (US\$20.4 million).

In 2022, we had net cash used in financing activities of RMB1,237.4 million (US\$170.6 million) primarily attributable to (i) repayment of borrowings of RMB1,218.7 million (US\$168.1 million), and (ii) repayments to non-controlling interests and their related parties of RMB384.2 million (US\$53.0 million). The cash outflow was partially offset by proceeds from borrowings of RMB218.1 million (US\$30.1 million).

In 2021, we had net cash generated from financing activities of RMB745.6 million primarily attributable to (i) proceeds from borrowings of RMB1,286.0 million and (ii) advances from non-controlling interests and their related parties of RMB260.4 million. The cash inflow was partially offset by (i) repayments of borrowings of RMB771.6 million and (ii) dividends paid to our shareholders of RMB170.5 million.

In 2020, we had net cash generated from financing activities of RMB2,832.4 million primarily attributable to (i) proceeds from borrowings of RMB3,586.1 million; and (ii) capital injection from non-controlling interests of RMB1,324.3 million. The cash inflow was partially offset by (i) repayment of borrowings of RMB2,953.8 million; and (ii) dividends paid of RMB209.6 million.

CONTRACTUAL AND CAPITAL COMMITMENTS

Commitments

We had the following commitments, which were not provided for in our consolidated financial statements:

	As of December 31,				As of June 30,	
	2020	2021	2022		2023	
	RMB	RMB	RMB	US\$	RMB	US\$
				(Unaudited)	(Unaudited)	(Unaudited)
				(In thousands)		
Contracted but not provided for:						
Acquisition of land use rights	703,770	459,000	-	-	-	-
Property development activities.....	1,671,392	1,525,173	1,319,279	181,937	1,274,693	175,788
	<u>2,375,162</u>	<u>1,984,173</u>	<u>1,319,279</u>	<u>181,937</u>	<u>1,274,693</u>	<u>175,788</u>

INDEBTEDNESS

The following table sets out our total debts as of the dates indicated:

	As of December 31,				As of June 30,	
	2020	2021	2022		2023	
	RMB	RMB	RMB	US\$	RMB	US\$
				(Unaudited)	(Unaudited)	(Unaudited)
				(In thousands)		
Bank and other borrowings	3,111,805	4,495,697	3,628,493	500,392	3,470,658	478,626
Lease liabilities.....	68,730	65,754	62,259	8,586	73,075	10,078
	<u>3,180,535</u>	<u>4,561,451</u>	<u>3,690,752</u>	<u>508,978</u>	<u>3,543,733</u>	<u>488,703</u>

Bank and other borrowings

The following table sets out our breakdown on bank and other borrowings as of the date indicated:

	As of December 31,				As of June 30,	
	2020	2021	2022		2023	
	RMB	RMB	RMB	US\$	RMB	US\$
				(Unaudited)	(Unaudited)	(Unaudited)
				(In thousands)		
Bank borrowings.....	2,138,581	3,484,088	2,506,186	345,619	2,287,751	315,495
Senior notes	973,224	1,011,609	1,084,647	149,580	1,134,053	156,393
Loans from a third party	-	-	37,660	5,194	48,854	6,737
	<u>3,111,805</u>	<u>4,495,697</u>	<u>3,628,493</u>	<u>500,392</u>	<u>3,470,658</u>	<u>478,626</u>
Included in non-current portion						
- Secured	1,547,514	2,881,725	2,425,313	334,466	2,208,111	304,512
- Unsecured.....	590,567	602,363	77,000	10,619	76,000	10,481
Less: current portion of non-current liabilities.....	(569,103)	(1,227,312)	(670,893)	(92,520)	(1,516,436)	(209,126)
	<u>1,568,978</u>	<u>2,256,776</u>	<u>1,831,420</u>	<u>252,564</u>	<u>767,675</u>	<u>105,867</u>
Included in current liabilities:						
- Secured	500	-	3,719	513	3,487	481
- Unsecured.....	973,224	1,011,609	1,122,461	154,794	1,183,060	163,151
Add: Current portion of non-current liabilities.....	569,103	1,227,312	670,893	92,520	1,516,436	209,126
	<u>1,542,827</u>	<u>2,238,921</u>	<u>1,797,073</u>	<u>247,828</u>	<u>2,702,983</u>	<u>372,758</u>
Total borrowings.....	<u>3,111,805</u>	<u>4,495,697</u>	<u>3,628,493</u>	<u>500,392</u>	<u>3,470,658</u>	<u>478,626</u>

The following table sets forth the repayment schedule of bank and other borrowings as of the dates indicated:

	As of December 31,				As of June 30,	
	2020	2021	2022		2023	
	RMB	RMB	RMB	US\$	RMB	US\$
	(Unaudited)				(Unaudited)	(Unaudited)
(In thousands)						
Within 1 year.....	1,542,827	2,238,921	1,797,073	247,828	2,702,983	372,758
1 to 2 years.....	627,049	773,874	894,916	123,415	253,334	34,936
2 to 5 years.....	615,264	1,085,782	689,378	95,070	282,112	38,905
Over 5 years.....	326,665	397,120	247,126	34,080	232,229	32,026
	<u>3,111,805</u>	<u>4,495,697</u>	<u>3,628,493</u>	<u>500,392</u>	<u>3,470,658</u>	<u>478,626</u>

The following table sets forth the weighted average effective interest rate on the borrowings as of the dates indicated:

	Year ended December 31,			Six months ended
	2020	2021	2022	June 30,
				2023
Bank and other borrowings (%)	6.20	6.40	6.49%	7.46%
Senior notes (%)	8.48	8.63	8.34%	10.32%

Lease liabilities

Our lease liabilities decreased from RMB68.7 million as of December 31, 2020 to RMB65.8 million as of December 31, 2021 and further decreased to RMB62.3 million (US\$8.6 million) as of December 31, 2022 primarily due to lease payments incurred during the period. Our lease liabilities increased to RMB73.1 million (US\$10.1 million) as of June 30, 2023 primarily due to the increase in right-of-use assets.

Guarantees

As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had provided guarantees of RMB1,341.6 million, RMB1,636.6 million, RMB2,084.5 million (US\$287.5 million) and RMB2,121.3 million (US\$292.5 million), respectively, to secure obligations of purchasers of our Group's property units of repayments. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we have provided guarantees for borrowings of the Group's joint ventures amounted to RMB422.5 million, RMB387.5 million, RMB361.9 million (US\$49.9 million) and RMB358.0 million (US\$49.4 million), respectively. As of December 31, 2020, 2021 and 2022 and June 30, 2023, we had also provided guarantees of nil, nil, RMB310.7 million (US\$42.8 million) and RMB302.9 million (US\$41.8 million), respectively, for other payables of the Group's associate.

OFF-BALANCE SHEET ARRANGEMENT

As of June 30, 2023, we had not entered into any off-balance sheet transaction.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Foreign exchange risk

Our businesses are principally conducted in RMB. The monetary assets and liabilities of the Group's subsidiaries in the PRC are mainly denominated in RMB and the foreign exchange risk is immaterial. The non-PRC subsidiaries' functional currency is HK\$. As of December 31, 2020, 2021 and 2022 and June 30, 2023, major non-HK\$ assets and liabilities are cash and cash equivalent, restricted cash, trade and other receivables and prepayments, trade and other payables and borrowings, which are denominated in RMB or US\$. Fluctuation of the exchange rate of HK\$ against RMB or US\$ could affect the Group's results of operations. As the New Notes will be denominated in USD, our exposure to foreign exchange risk may be increased. We have not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk.

Cash flow and fair value interest rate risks

Our interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose us to fair value interest rate risk. Borrowings obtained at floating rates, which are subject to fluctuations, expose us to cash flow interest rate risk which is partially offset by cash held at floating rates. See "Risk Factors – Risks Relating to Our Business – Changes in interest rates have affected and will continue to affect our financial costs and, ultimately, our results of operations" for more information.

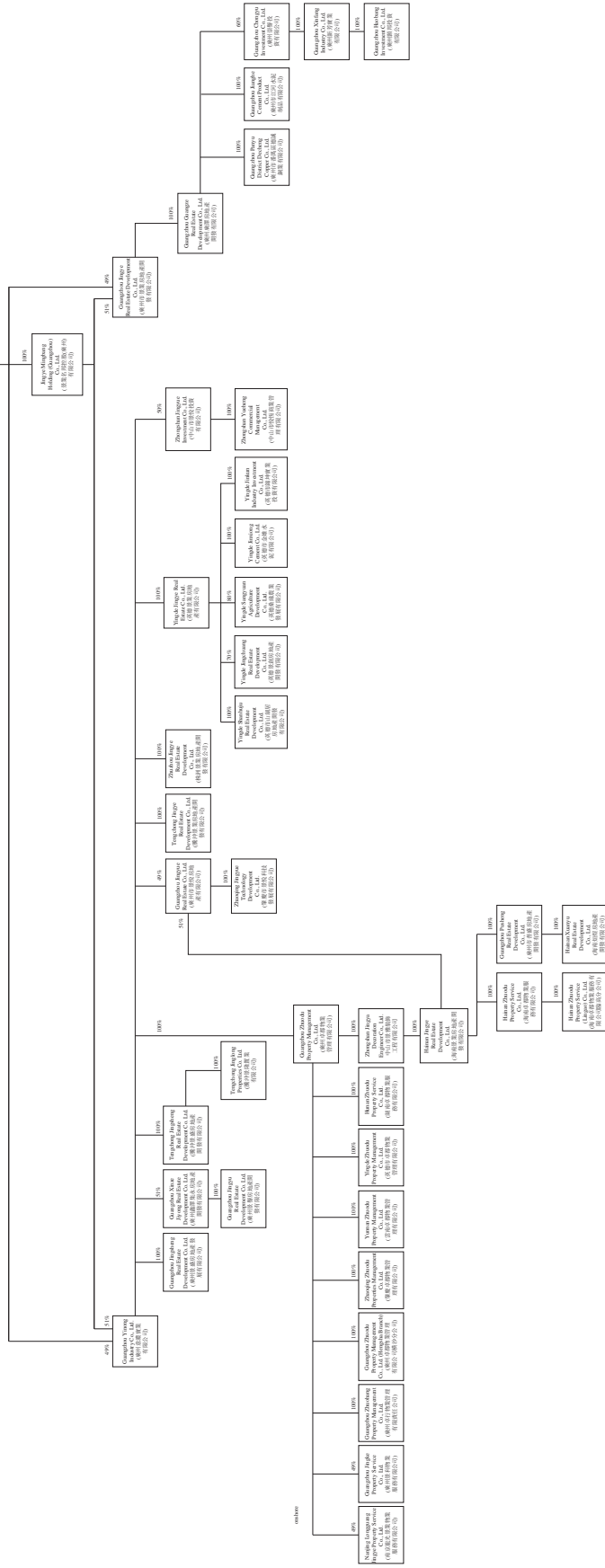
Credit risk

We have no concentrations on credit risk. Our maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables, amounts due from related parties and financial assets at fair value through profit or loss shown in the consolidated balance sheets.

Liquidity risk

Our management aims to maintain our liquidity with cash and cash equivalents, available funding through contract liabilities, available financing including short-term and long-term bank borrowings and senior notes and funding from shareholder and related parties.

We have a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt to the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. We will pursue such options based on our assessment of relevant future costs and benefits.



Note 1: Certain PRC subsidiaries have not fully paid their registered capital, such as Guangzhou Chongyu Investment Co., Ltd., Guangzhou Xinfang Enterprise Co., Ltd., Guangzhou Yinong Industry Co., Ltd., Guangzhou Jingye Real Estate Development Co., Ltd. and Guangdong Jingye Health Industry Development Co., Ltd.

Note 2: Shares of certain PRC subsidiaries, such as Yingde Jingye Real Estate Co., Ltd, Yingde Shanhuo Real Estate Development Co., Ltd, Zhuzhou Jingye Real Estate Development Co., Ltd, Guangzhou Shunbang Investment Management Co., Ltd., Zhongshan Yueheng Corporate Management Co., Ltd., Guangzhou Shunbang Investment Management Co., Ltd., Guangzhou Yinong Enterprise Co., Ltd., Jingye Mingbang Holding (Guangzhou) Co., Ltd., Guangzhou Jingyu Real Estate Development Co., Ltd. and Guangzhou Jingsheng Real Estate Development Co. Ltd. are pledged to banks.

BUSINESS

OVERVIEW

We are a property developer, operator and property management service provider based in the PRC. We have land resources in Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces. We position ourselves as an “Eco-friendly and People-oriented Property Developer” (生態人文地產發展商), leveraging the natural resources, distinctive landscapes and features as well as rich culture of our selected project sites to develop homes and communities that we consider to be truly livable for our buyers. Ever since our incorporation in 2013, this positioning has been clear and we believe it is what differentiates our Group from other property developers in the PRC. As a young member of the industry, we had 15 completed project phases, 11 project phases under development and held ten project phases for our future development as of June 30, 2023.

We mainly target home upgraders or purchasers looking for a second home or a vacation home, especially those who value a home in tranquil environment while still located in proximity to first-tier cities for convenience. As the consumption power of the PRC residents increases, our target customers have placed increasing importance to the quality of life and lifestyle that real properties bring about as well as the livability of the neighborhood in selecting their new homes. Meanwhile, high speed rail and highway network in the PRC are facilitating working and living across districts and expanding the “one-hour living circle” of provincial capital cities to cover their surrounding satellite towns. We believe that the combined effect of these development trends has fostered urbanization of such satellite towns. In terms of geographical market, our strategy is to focus on areas covered by China’s national development strategies, in particular, the Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區) and areas covered by the Belt and Road Initiative (一帶一路) within mainland China.

In line with our positioning, we select our project sites strategically, with priority for places with iconic natural resources. For example, our first property project, JY Lychee Town (景業荔都), is located next to woods, providing mountainous landscape view in the city, local fresh produces and clean air which are all valued qualities sought after by urban dwellers; our JY Hot Spring Villas (景業龍泉灣) is situated at a famous hot spring area in Conghua, Guangzhou, for which we built a series of low-rise houses targeting vacation homebuyers and a hot spring resort which we operate; and certain phases of our JY Clearwater Bay No. 3 (景業清水灣3號) are located in proximity to the coastline or golf courses with rich greenery. Our JY Gaoligong Town (景業高黎貢小鎮) is located in hot spring geological area in Yunnan, surrounded by mountainous landscape, and our JY Maofengshan Project (景業帽峰山項目) is close to Maofengshan Forest Park. Recently, we have expanded our product portfolio into developing residential properties catering to the needs of first-time homebuyers, including JY Donghuzhou Haoyuan (景業東湖洲豪園) in Nansha, Guangzhou, JY Grand Garden (景業雍景園) in Qingyuan, Guangdong and JY Mountain Lake Gulf (景業山湖灣) in Zhuzhou, Hunan.

In 2020, 2021 and 2022 and the six months ended June 30, 2023, revenue from our property development and sales business was RMB2,248.8 million, RMB1,932.5 million, RMB413.8 million (US\$57.1 million) and RMB271.4 million (US\$37.4 million), respectively, and the gross profit margin of our property development and sales business was 40.0%, 30.0%, 17.0% and 17.3%, respectively. As of June 30, 2023, we had a property portfolio of 36 property project phases in 11 locations with an aggregate GFA attributable to us of approximately 3.85 million sq.m., comprising completed properties available for sale or lease with an aggregate GFA of approximately 0.3 million sq.m., properties under development with an aggregate GFA of approximately 0.9 million sq.m. and properties held for future development with an aggregate GFA of approximately 2.6 million sq.m.

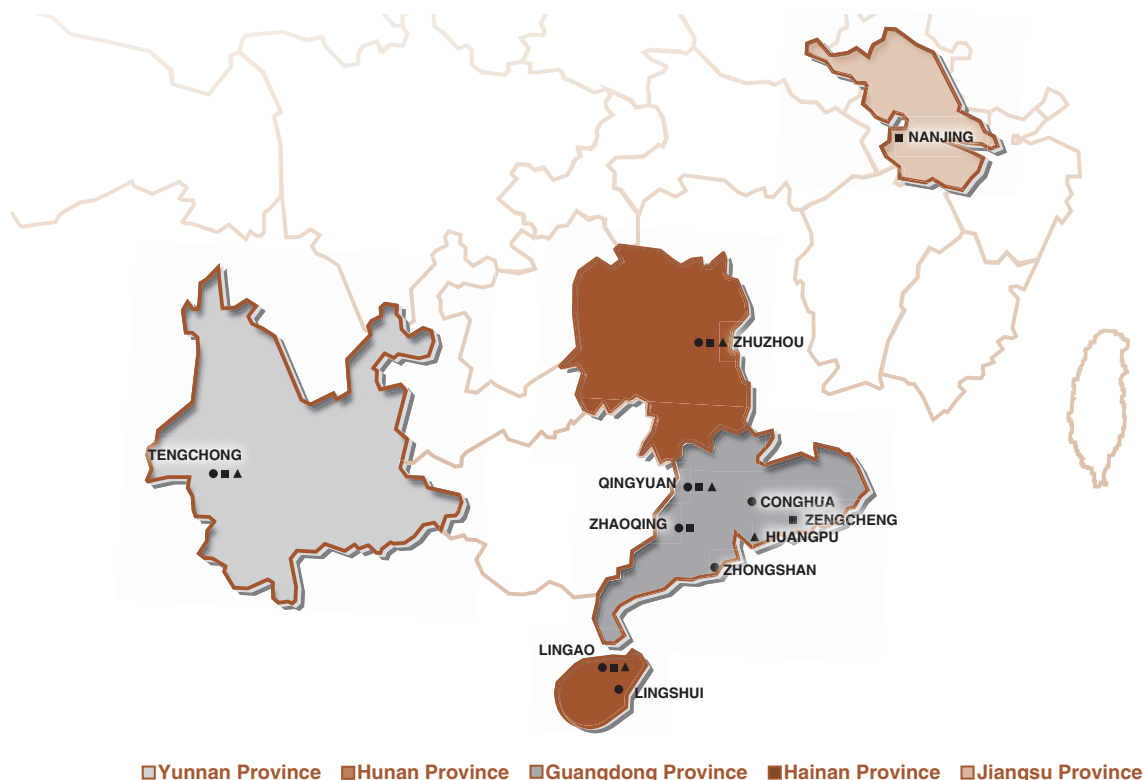
We endeavor to be a “360° Asset and Lifestyle Service Provider” (360°資產生活服務商) with an aim to providing all-round convenient-living services to property owners. We provide property management services to our residents and plan to provide leisure and well-being services with the development of specialty residential products such as our JY Well-being Valley in Lingao, Hainan. Moreover, we operate several hotels, including our hot spring resort as part of our JY Hot Spring Villas project and our Just Stay Hotel in Panyu, Guangzhou. We also have certain commercial properties in Panyu for investment and have acquired certain commercial properties which will be held for sale in Zhongshan. We may retain the office and shop premises in our projects for leasing in the future.

OUR PROPERTY PROJECTS

Overview

We mainly focused on the development of quality residential properties. As of June 30, 2023, our property portfolio consisted of 15 completed project phases, 11 project phases under development and ten project phases held for future development. These 36 property project phases are in 11 cities with an aggregate GFA attributable to us of approximately 3.85 million sq.m., comprising completed properties available for sale or lease with an aggregate GFA of approximately 0.34 million sq.m., properties under development with an aggregate GFA of approximately 0.89 million sq.m. and properties held for future development with an aggregate GFA of approximately 2.62 million sq.m.

Our properties are situated at Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces. The following map shows the geographical locations of our property portfolio as of June 30, 2023:



Classification of our Property Projects

We generally classify our property projects into the following three categories:

- “**completed projects or project phases**” refer to projects or project phases for which the required land use rights certificates issued by the relevant government authorities and the first completed property inspection filings from the relevant government construction authorities have been obtained;
- “**projects or project phases under development**” refer to projects or project phases in which the required land use rights certificates and the first construction work commencement permit have been obtained but a completed property inspection has not been obtained; and

- *“projects or project phases held for future development”* refer to projects or project phases for which (i) the land use rights certificate has been obtained, or old factory buildings have been acquired for redevelopment, but have not obtained the requisite construction work commencement permits; or (ii) we have signed a land grant contract or a transaction confirmation in land tender, auction or listing-for-sale activities with relevant government authorities, but have not obtained relevant land use rights certificate.

As some of our projects comprise multiple-phase developments that are completed on a rolling basis, a project may fall into one or more of the above categories.

The commencement dates relating to each project or each phase of a project refers to the date construction of the first building of the project or phase first commenced. The completion dates set out in the description of our completed projects or phases refer to the dates on which the first completed property inspection filings was obtained for each project or each phase of a multi-phase project. For projects or phases under development or for future development, the completion dates and estimated future development costs reflect our best estimate based on our current development plans.

Site area is calculated as follows:

- for projects or phases for which we have obtained land use rights, based on the relevant land use right certificates; or
- for projects or phases for which we have not obtained land use rights, based on the relevant land grant contracts or transaction confirmation in land tender, auction or listing-for-sale activities.

Total GFA is calculated as follows:

- for projects and phases that are completed, based upon relevant property ownership certificate or completed property inspection filings;
- for projects and phases that are under development, based upon the relevant construction work commencement permit or construction work planning permit, or other documents issued by relevant government authorities; and
- for projects and phases that are held for future development, based upon our internal records and development plans which are subject to change. Total GFA shall not exceed the product of site area and the maximum permissible plot ratio as specified in the relevant land grant contracts, or the GFA as stated in other approval documents from the local governments relating to the project.

Total GFA as used in this exchange offer memorandum is comprised of salable GFA and non-salable GFA. Non-salable GFA as used in this exchange offer memorandum refers to certain communal facilities and ancillary facilities, such as certain underground GFA and spaces for security offices, for which sale is not permitted. Salable GFA as used in this exchange offer memorandum refers to the floor area exclusive of non-salable GFA. Salable GFA is further divided into salable GFA pre-sold/sold and salable GFA unsold. A property is pre-sold when we have executed the sale and purchase contract but have not issued the notice of delivery of property to the customer yet. A property is considered sold after we have executed the sale and purchase contract with a customer and have issued the notice of delivery of property to the customer. Salable GFA does not include salable GFA sold.

Total salable GFA is calculated as follows:

- for projects and phases that are completed, based on the relevant property ownership certificate or completed property inspection filings, but where no such information is stated on these documents, relevant information is extracted from the pre-sale permit, construction work planning permit or other documents issued by government authority; and

- for projects and phases under development, based upon (i) the relevant pre-sale permit, or (ii) the construction work commencement permit or construction work planning permit if the pre-sale permit is not available, or (iii) other documents issued by relevant government authorities if none of the aforementioned documents contain such information.

Our classification of our properties reflects the basis on which we operate our business and may differ from classifications employed by other property developers. Each property project or project phase may require multiple land use rights certificates, construction commencement permits, pre-sale permits and other permits and certificates, which may be issued at different times throughout the development process.

Land Bank and Project Portfolio

The following table sets out a summary of our land bank as of June 30, 2023 in terms of geographical location:

Location	Completed		Under development	Future development	Completed	Under development	Future development	Total land bank
	No. of project	No. of project	No. of project	No. of project	Saleable/leasable GFA unsold/not leased (sq.m.)	Aggregate GFA (including non-saleable/non-leasable GFA) (sq.m.)	Estimated aggregate GFA for future development (sq.m.)	
Guangdong		6	6	3				
Conghua	3	3	–	–	33,368	–	–	33,368
Zhongshan	1	1	–	–	26,697	–	–	26,697
Qingyuan	6	1	3	2	115,563	257,126	804,275	1,176,964
Zhaoqing	2	1	1	–	62,164	159,081	–	221,245
Huangpu	1	–	–	1	–	–	120,363	120,363
Zengcheng	2	–	2	–	–	187,416	–	187,416
Hainan		6	1	1				
Lingshui	5	5	–	–	286	–	–	286
Lingao	3	1	1	1	10,734	21,137	143,237	175,108
Yunnan		2	1	5				
Tengchong	8	–	–	–	19,350	86,765	1,079,170	1,185,285
Jiangsu		–	1	–				
Nanjing	1	–	–	–	–	36,385	–	36,385
Hunan		1	2	1				
Zhuzhou	4	–	–	–	71,444	145,824	474,826	692,094
Total	<u>36</u>	<u>15</u>	<u>11</u>	<u>10</u>	<u>339,606</u>	<u>893,734</u>	<u>2,621,871</u>	<u>3,855,211</u>

Average land costs attributable to our Group as of June 30, 2023, calculated as our total land costs divided by the total land bank of our projects (excluding the land bank of Zhongshan Yueying Xincheng which are completed held-for-sale properties acquired by our Group), was approximately RMB1,744 per sq.m.

Summary on Our Property Projects

The following table sets forth a summary of our property projects and project phases that are completed, under development and held for future development as of June 30, 2023:

No.	Project	Interest of the Group	Province	Location	Property type	Completed		Under development		Future development		Construction completion time/estimated construction completion time
						Saleable/leased x Group interest (sq.m.)	GFA unsold/not leased x Group interest (sq.m.)	Aggregate GFA (including non-saleable/non-leased GFA) x Group interest (sq.m.)	Estimated aggregate GFA for future development x Group interest (sq.m.)	Total estimated construction GFA (note 2) (sq.m.)		
1	JY Lychee Town Phase I	100%	Guangdong	JY Lychee Town Garden, Xuanxing Village, Wenquan Town, Conghua District, Guangzhou City, Guangdong Province, the PRC	Residential	70,385	3,904	-	-	-	3,904	2015.12
2	JY Lychee Town Phase II	100%	Guangdong	JY Lychee Town Garden, Xuanxing Village, Wenquan Town, Conghua District, Guangzhou City, Guangdong Province, the PRC	Residential	70,385	28,901	-	-	-	28,901	2018.10
3	JY Hot Spring Villas	100%	Guangdong	No. 288 Yuquan Avenue, Liangkou Town, Conghua District, Guangzhou City, Guangdong Province, the PRC	Hotel rooms	131,091	563	-	-	-	563	2016.10
4	JY Clearwater Bay No. 3 Phase I	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	83,375	220	-	-	-	220	2015.12
5	JY Clearwater Bay No. 3 Phase II	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	67,770	66	-	-	-	66	2016.12
6	JY Clearwater Bay No. 3 Phase III	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	121,631	-	-	-	-	-	2018.07
7	JY Clearwater Bay No. 3 Phase VI	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	58,823	-	-	-	-	-	2019.06
8	JY Clearwater Bay No. 3 Phase VII	100%	Hainan	Qingshui Bay Scenic Area, Yingzhou Town, Lingshui County, Hainan Province, the PRC	Residential	48,471	-	-	-	-	-	2019.06
9	JY Yarra New Street (previously known as Zhongshan Yueheng Project)	50%	Guangdong	Yarra City Commercial Street, Southern District, Zhongshan City, Guangdong Province, the PRC	Shop	-	26,697	-	-	-	26,697	-
10	JY Grand Garden Phase I	100%	Guangdong	JY Grand Garden, West of Yingzhou Avenue, Yingcheng Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	67,812	101,323	-	-	-	101,323	2020.12
11	JY Gaoligong Town Phase I	100%	Yunnan	JY Gaoligong Town, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	252,047	9,476	-	-	-	9,476	2019.12
12	JY Gaoligong Town Phase II	100%	Yunnan	JY Gaoligong Town, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	252,047	9,874	-	113,842	-	123,716	2020.12
13	JY Mountain Lake Gulf Phase I (100# Lot)	100%	Hunan	79 Jincheng East Road, Hetang District, Zhuzhou City, Hunan Province, the PRC	Residential	101,175	71,444	-	-	-	71,444	2020.12
14	JY Egret Bay Phase I (previously known as JY Well-being Valley Phase I (06# Lot))	100%	Hainan	Ganlang Village, Nanbao Town, Lingao County, Hainan Province, the PRC	Residential	28,779	10,734	-	-	-	10,734	2020.12
15	JY Egret Bay Phase II (previously known as JY Well-being Valley Phase II (07# Lot))	100%	Hainan	Ganlang Village, Nanbao Town, Lingao County, Hainan Province, the PRC	Residential	59,717	-	21,137	80,093	-	101,230	2023.06
16	JY Well-being Valley Phase III (04# Lot)	100%	Hainan	Ganlang Village, Nanbao Town, Lingao County, Hainan Province, the PRC	Residential	51,513	-	-	63,144	-	63,144	2024.12
17	JY Grand Garden Phase II	100%	Guangdong	JY Grand Garden, West of Yingzhou Avenue, Yingcheng Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	67,812	14,240	94,747	-	-	108,987	2021.06
18	JY Grand Garden Phase III	100%	Guangdong	Lot B, North of Guanghe Road, East of Yingzhou Avenue, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	26,340	-	76,378	88,512	-	164,890	2024.12
19	JY Canglong Bay Project	80%	Guangdong	Lot B, North of Jiayou Road, East of Hongyun Avenue, Yinglong Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	60,230	-	86,001	132,349	-	218,350	2024.12
20	JY Yonghua Shijia Project	100%	Guangdong	North of Lingnan Road, East of Hongyun Avenue, Yinglong Town, Yingde City, Qingyuan City, Guangdong Province, the PRC	Residential	60,877	-	-	182,630	-	182,630	2025.12
21	JY Yingde Jinxiong Project	100%	Guangdong	West of Baojing Road, South of Yingzhou Avenue, Yingcheng District, Yingde City, Qingyuan City, Guangdong Province, the PRC	Urban redevelopment: Commercial and residential property to be redeveloped	160,314	-	-	400,784	-	400,784	2025.12

No.	Project	Interest of the Group	Province	Location	Property type	Completed		Under development		Future development		Construction completion time/estimated construction completion time
						Site area x Group interest (note 1) (sq.m.)	Saleable/leasable GFA unsold/not leased x Group interest (sq.m.)	Aggregate GFA (including non-saleable/non-leasable GFA) x Group interest (sq.m.)	Estimated aggregate GFA for future development x Group interest (sq.m.)	Total estimated GFA (note 2) (sq.m.)		
22	JY Gaoligong Town Phase III	100%	Yunnan	JY Gaoligong Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	252,047	-	-	68,893	68,893	2025.06	
23	JY Mountain Lake Golf Phase II (10# Lot)	100%	Hunan	79 Jincheng East Road, Hetang District, Zhuzhou City, Hunan Province, the PRC	Residential	101,175	-	-	236,787	236,787	2025.12	
24	JY Mountain Lake Golf Phase III (11# Lot)	100%	Hunan	North of Intersection of Jincheng East Road and Jinda Road, Zhuzhou City, Hunan Province, the PRC	Residential	85,260	-	91,512	183,129	274,641	2024.12	
25	Jing Ye Square (previously known as JY Mountain Lake Golf Phase IV (9# Lot))	100%	Hunan	299 Hetang Avenue, Hetang District, Zhuzhou City, Hunan Province, the PRC	Commercial	22,754	-	54,312	54,910	109,222	2024.12	
26	Zhaoqing International Technology and Innovation Centre (Zone A)	100%	Guangdong	North of Zonghu 3rd Road, South of Zonghu 2nd Road, North of Yongji Avenue, West of Yingbin Road, New Area, Dinghu District, Zhaoqing City, Guangdong Province, the PRC	Business and commercial	26,446	-	159,081	-	159,081	2024.12	
27	JY Uniworl (previously known as Zhaoqing International Technology and Innovation Centre (Zone B))	100%	Guangdong	17 Yongji Avenue, New Area, Dinghu District, Zhaoqing City, Guangdong Province, the PRC	Residential and commercial	40,335	62,164	-	-	62,164	2020.10	
28	JY Jiangshan Shili Zone A	100%	Yunnan	JY Jiangshan Shili, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	96,922	-	86,765	181,078	267,843	2023.12	
29	JY Jiangshan Shili Zone B	100%	Yunnan	JY Jiangshan Shili, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	48,559	-	-	145,677	145,677	2024.12	
30	JY Jiangshan Shili Zone C	100%	Yunnan	JY Jiangshan Shili, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	30,724	-	-	92,172	92,172	2025.12	
31	JY Jiangshan Shili Zone D	100%	Yunnan	JY Jiangshan Shili, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	67,072	-	-	201,216	201,216	2026.06	
32	Jinke JY Grand Garden	51%	Guangdong	Kenghe Village, Zhongxin Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC	Residential	16,376	-	71,577	-	71,577	2023.11	
33	JY Uniworl (previously known as Zengcheng Shian Project)	100%	Guangdong	West of Xincheng Avenue, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC	Residential	26,938	-	115,839	-	115,839	2023.11	
34	JY Logan Jiyun Mansion (previously known as Nanjing Liuhai Project)	26%	Jiangsu	Lot at South of Qiyan Road, East of Yanan Road, Xiongzhou Street, Lihai District, Nanjing City, Jiangsu Province, the PRC	Residential	13,002	-	36,385	-	36,385	2023.10	
35	Zhujiang Village Project	55%	Guangdong	Wenkang Road, Xiasha Industrial Zone, Huangpu District, Guangzhou City, Guangdong Province, the PRC	Residential and commercial	28,622	-	-	120,363	120,363	2025.12	
36	JY Yunshan Xigu	100%	Yunnan	JY Yunshan Xigu, Qushi Town, Tengchong County, Baoshan City, Yunnan Province, the PRC	Residential	132,971	-	-	276,292	276,292	2025.12	
						2,086,331	339,606	893,734	2,621,871	3,855,211		

Notes:

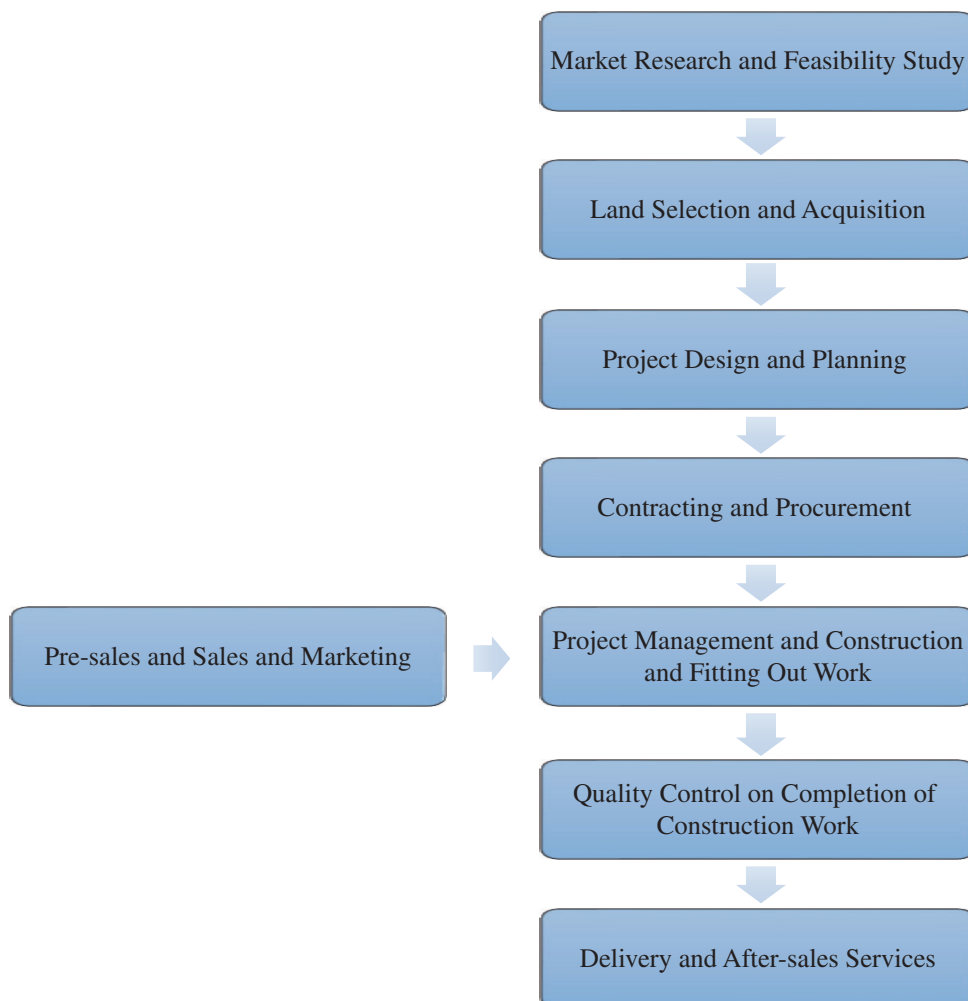
- Relevant land use certificate was granted to the entire land parcel and breakdown of site area for each phase was not available.
- The total GFA of the Group's land bank includes (i) the total GFA of property completed, (ii) the total GFA of property under development and (iii) the total GFA for future development. For projects held by non-wholly-owned subsidiaries, joint ventures and associates of the Group, the GFA is adjusted by the equity interest of the Group in the respective project.
- The relevant GFA does not include the GFA for resettlement purpose.

Our Hotels

Other than our property development and sales business, we also engage in hotel operations and commercial properties investment. For further details, see “Our Hotel Operations” and “Our Commercial Properties Investment” in this exchange offer memorandum.

OUR PROPERTY DEVELOPMENT BUSINESS PROCESS

The following flowchart depicts the business process for our property development business:



We have developed and maintained a systematic approach in the investment, planning, design, and development of our property projects. The following paragraphs show the different stages of our property development process:

Land Selection and Acquisition Process

We undertake a critical land selection process and we typically select sites for the development of our projects in satellite cities close to first-tier-cities as well as second-tier or third-tier cities in China which we believe to have strong prospects for growth. We have adopted an investment and project initiation system which sets out the main selection criteria of our Group in assessing potential land acquisition targets. The selection criteria includes both financial and risk considerations. On the financial aspect, we consider the estimated net profit, payback period, financing and funding of the potential project, etc., and assess whether the potential project can contribute positively to the financial performance of our Group. We also take into account the feasibility of the potential project and its compatibility with our Group's business development strategies, and the conditions to be fulfilled in acquiring the potential land site, and assess the operational, policy, legal and taxation risks involved in acquiring the potential land acquisition target.

Based on the overall business development strategies determined by our senior management, our investment center and project companies continuously conduct market research on selected cities which we have operations or plan to expand into and collect relevant information such as the availability of suitable land lot and the land acquisition costs, potential customers and their demand, pricing trends and government policies, to identify potential opportunities for our projects. Our investment center will then coordinate the site selection process with other functional centers and prepare an in-depth feasibility study of the potential site covering areas such as the potential cost and return, investment budget and risk control measures. For instance, our design center evaluates the potential type and design of property products on the site; our financial center reviews the budget and arrangement of funding; our sales center estimates and provides suggestions as to the market and product positioning, selling price and sales period of properties; our costing center provides cost assessment on projects under development which our Group would like to acquire; and our legal department provides legal opinion on the legal risks involved in pursuing the potential project. Our investment center submits the feasibility study to our senior management committee which comprises our Directors and vice presidents of the design, financial, costing, construction and sales and marketing center for final review and approval.

The key factors we consider in site selection include, but are not limited to:

- general economic conditions such as economic growth and vitality of the region, population density, market demand and supply, urbanization growth rate, disposable income and purchasing power of local residents;
- policies, infrastructure, urban planning and development strategies of central and local governments;
- location of the site, its proximity to the city center, its available natural resources, transportation network and access to public infrastructure and ancillary facilities;
- growth trend and competitive landscape of the local property market;
- suitability of the site for our product positioning and development prospects; and
- the estimated development costs and investment returns.

We primarily acquired our land reserves through (1) acquiring equity interest in companies that hold land parcels that fit our selection criteria; (2) participating in land tenders, auctions and listings-for-sale activities organized by government authorities; and (3) acquiring old factories for redevelopment under the "Urban Renewal Policy" (城市更新改造政策).

Through acquiring equity interest

Where we identify suitable project sites, we may acquire equity interest in the company holding the land use right certificate or property ownership certificate of the land instead of acquiring the land parcel or the property. We may enter into share transfer agreement or capital injection agreement with the then shareholders of the relevant companies to acquire equity interest. We then pay consideration for the equity interest and arrange for filings to government authorities as appropriate to reflect the change in shareholding.

Tender, auctions and listings-for-sale

Where we participate in land auctions or listings-for-sale activities, upon winning, we sign a letter of transaction confirmation with the relevant government authority, and subsequently enter into a land grant contract in accordance with the time and venue specified in the letter of transaction confirmation. We then pay the land premium according to the terms of the land grant contract and apply for the land use rights certificate.

Redevelopment under Urban Renewal Policy

Land for one of our projects held for future development, namely, JY Qingyuan City Jinxiong Project was an old factory site acquired by us and intended for redevelopment under the Urban Renewal Policy. JY Qingyuan City Jinxiong Project is located in Qingyuan. Implementation details of Urban Renewal Policy are different for different cities and the process applicable to our project sites are set out below.

Project Design and Planning

Our design center is responsible for the formulation of master design work plans for our property projects. It participates in site visits to potential project sites with the investment center for our projects and provides design suggestions in the feasibility study. Based on the market information of our project sites, it devises the design plan confirming the characteristics, positioning, type, appearance and style of our properties and controls the design costs. It also develops new projects based on the market research conducted by sales and marketing center.

We outsource our project design work to external service providers and engage them for architectural, interior and scenery design. We generally invite quotations from five to seven design firms and select the suitable firm based on their proposed design, pricing, quality and reliability of their proposed services based on their previous design experiences. We work closely with the design firms to review, adjust, approve and optimize their design plans. We also monitor the design firm's progress and quality of work continuously to ensure that they meet our design requirements. Our finalized design plans are submitted by our development department to the relevant government authorities for approval, after which they become the blueprint for the construction of our properties.

Contracting and Procurement

We outsource all of the construction work of our property projects to qualified third-party construction contractors. The construction work include, among other things, foundation laying, main structure construction, water and electricity installation, and fitting out work. We generally select our construction contractors through tender by invitation. Upon receiving the design plans from the design center, our costs control center will prepare the lists of required materials of the projects and suggested brands for required material and confirm the construction contractors that will participate in our open tender. We then provide the design plans and the lists prepared by the costs control center to at least three potential construction contractors and they are required to submit construction proposals with fee quotes to us. In selecting the winning bid, we generally consider the contractors' professional qualifications, technical capabilities, quality of construction work, industry reputation, track record, price quote and proposed construction plan. We prefer to select contractors who had worked with our Group and provided us with satisfactory services in the past to ensure the quality of construction work.

We enter into agreements with our construction contractors on project basis instead of a long-term basis. The major terms of such agreements include the scope of work, timetable for construction, pricing and payment terms, requirements and warranties with respect to quality standards and termination. Under such agreements, our construction contractors are obliged to undertake the entire construction work in compliance with our design specifications, time schedules and the relevant laws and regulations. We generally make payments to our construction contractors either by monthly progress payment based on the actual construction work done per month or in stages upon completion of each construction milestone in accordance with the construction contracts. Upon completion of the project, we generally settle approximately 95% to 97% of the total contract price while holding back the remaining 3% to 5% as retention money for quality warranty purpose pursuant to the construction contracts. The construction contractors are generally required to provide us with a warranty period typically ranging from two to five years, for any losses we may incur caused by their failure to meet contractually specified quality standards. The unused portion of the retention money will be returned to our construction contractors after the warranty period has expired. We believe that the amount of retention money we withhold under our construction contracts is in line with the industry practice in the PRC and is sufficient to cover the construction warranties we provide to our customers under the sales contracts.

Our construction contractors are generally responsible for procuring building construction materials such as steel and cement for our projects based on our specifications. The costs of the procured construction materials are accounted for under the relevant contracts' fees. Our procurement center is also responsible for the procurement of certain materials such as roof tiles, floor and wall tiles, light decorations, faucet, sanitary wares and manhole cover. Our raw materials are mainly purchased from suppliers in the PRC. We usually conduct research and identify potential suppliers, and seek tenders or quotations from at least three or more potential suppliers. In selecting our suppliers, we consider their technical qualifications and accreditations, product and service quality, pricing, delivery cycle, track record and years of working relationship with us. We do not maintain any inventory of construction materials that we procure on our own, but we order such materials on an as-needed basis.

Project Management and Construction and Fitting Out Work

According to the relevant PRC laws and regulations, we are required to obtain the development rights of the relevant land and the necessary permits and certificates before we can commence our construction work on the relevant land, including the land use rights certificate, the construction land planning permit, the construction work planning permit and the construction work commencement permit.

Our engineering center is responsible for managing and monitoring the progress, quality and safety measures of the construction and fitting out work carried out by our contractors and handle major technical problems occurred during the construction. It formulates the management system and standards of construction and fitting out work and the technical requirements that should be fulfilled by our construction contractors. It also carries out inspection on the construction and fitting out work and assist in the inspection for acceptance and the filing for construction completion.

Pre-sales and Sales and Marketing

Pre-sales

We generally commence the pre-sales of our properties prior to completion of construction which is in line with the market practice in the PRC. We launch pre-sale upon the receipt of pre-sale permits in accordance with the PRC laws and regulations. Prior to obtaining the pre-sale permits, we must fulfill, among others, the following conditions: (i) the land premium has been paid in full and we have obtained the land use rights certificate; (ii) we have obtained the construction work planning permit and the construction work commencement permit; (iii) in terms of the properties put into pre-sale, at least 25% of the total amount of the investment fund has been injected into the development and the progress of construction, the expected completion and delivery dates have been ascertained; (iv) the progress of the construction should meet the local government's requirements for pre-sale.

In accordance with the requirements of the applicable PRC laws and regulations, we enter into standard pre-sale contracts prescribed by the relevant local authorities with our customers and apply for registration and record of such pre-sales with the relevant local authorities within 30 days after execution of the pre-sale contracts.

We have adopted internal control measures to ensure that the proceeds derived from our pre-sales will be used for the construction of the relevant projects in compliance with the relevant PRC laws and regulations. Before applying for the pre-sale permits, we will sign an agreement on the supervision of pre-sale proceeds with a supervising bank and the property management department of the local government, and set up a designated bank account where the pre-sale proceeds are paid into. When we would like to apply the pre-sales proceeds for the development and construction of the relevant projects, we shall make an application to the property management department of the local government together with the relevant information such as proof of the completion of certain part of the project. Upon receipt of the approval from the property management department of the local government, we shall apply to the supervising bank for the release of the pre-sale proceeds.

Sales and Marketing

Our property portfolio mainly locates in Guangdong, Hainan, Yunnan, Jiangsu and Hunan provinces and our target customers include purchasers looking for their first home, a home upgrade, second home and purchasers who would like to invest or live in vacation homes. Most of our customers are individuals. Our sales and marketing center consisted of 72 employees as of June 30, 2023 and is responsible for formulating sales and marketing strategies and implementation plans, setting marketing goals and administer the overall sales process and promotional and marketing events. It plays a crucial role in our property development process from market positioning to pre-sales and sales of properties. In the preliminary stage of land acquisition, the sales and marketing center conducts research on local markets of the potential sites and assists the investment center in preparing the feasibility study by providing suggestions as to the market and product positioning, selling price and sales period of properties. During pre-sales and sales of our properties, it launches various marketing campaigns to attract our target customers.

Sales and Marketing Channels

Our sales and marketing channels primarily include advertising through billboards, the internet and mobile media. We generally promote our property products through our internal sales and marketing personnel. We hold promotional and sales events such as press conferences at our property development project premises to introduce our property projects to our potential and existing customers, working partners and the media. We set up on-site reception centers to display model units and detailed information of our projects, and invite potential customers to visit exhibit units. We identify target companies with potential customers and organize promotional activities within the companies, such as holding promotional talks and placing advertising materials in the companies, organizing visits to our project sites, and offering corporate discount to their employees.

We also accept referral by existing residents of our developed properties. We organize various activities, such as house-warming banquets for home buyers and resident gatherings in mid-autumn festival, aiming to create a friendly community for our residents. We believe that these activities also serve as showcasing events for our properties as they encourage our residents to bring their friends and family to visit our properties, thereby promoting our sales by referral from existing residents and lowering our marketing expenses.

In addition, we engage external property brokerage firms to assist us in our sales campaigns. We enter into agreements with such firms and the major terms of the agreements include the scope and duration of services, rights and responsibilities of the parties, fees and payment method. Some agreements also specify that if these firms fail to meet the agreed sales target or make any sales within the stipulated period, the agreements will be terminated. We negotiate with external property brokerage firms as to commissions on a case-by-case basis and we typically pay them a fixed percentage of 1.2% to 5% of the sales proceeds as fees. We select our external property brokerage firms by considering factors such as their reputation. In 2020, 2021 and 2022 and the six months ended June 30, 2023, the aggregate costs and expenses incurred by us with respect to our external property brokerage firms amounted to RMB64.2 million, RMB79.2 million, RMB16.9 million (US\$2.3 million) and RMB14.1 million (US\$1.9 million), respectively.

Pricing policy

Our sales and marketing center is responsible for setting the price for our property development projects. In determining the sales price, we generally take into account various factors including but not limited to the location, size, floor, view, facing direction and positioning of properties, their accessibility to public infrastructure and ancillary facilities, target customers, market conditions, prices of comparable properties in the market, government guided-prices, our development costs and investment return considerations.

As part of our marketing strategies, we offer seasonal discounts to our customers during various occasions such as the Chinese New Year, the National Day of the PRC, the Dragon Boat Festival and the Labor Day. We offer corporate discounts to employees of certain corporations in which we have organized promotional activities and group discounts to customers who purchase multiple properties on a one-off basis. We also provide discounts to our own employees who have worked with us for at least one year. Occasionally, discounts are offered to customers who are positively influential to the sales of our properties. We believe that the discounts we offer are in line with the prevailing market practice and are effective in attracting new customers and enhancing our sales.

Payment terms

Our customers may choose to pay the purchase price of our properties by one lump sum payment, by installments or by mortgage financing. We generally require our customers to pay a deposit of RMB20,000 to RMB50,000 upon signing of the preliminary sale and purchase agreement and such deposit is non-refundable if the customers default on the purchases. Within seven days of payment of the deposit and upon signing of the formal sale and purchase agreement, our customers are required to pay 30% of the total purchase price (including the amount of deposit). Customers choosing to make a lump sum payment are required to pay the remaining amount and fully settle the purchase price within one month after signing of the preliminary sale and purchase agreement. Customers who choose to pay by installments without utilizing a mortgage loan are required to make the remaining payments in accordance with the agreed payment schedule within six months after signing of the preliminary sale and purchase agreement. For customers who purchase properties with mortgage loans, after making payment in accordance with the payment ratio required by the local government or banks, the mortgage banks will settle the mortgage amounts in accordance with the agreed payment schedule within 12 months after signing of the formal sale and purchase agreement.

In line with market practice in the PRC, we have arrangements with various banks for the provision of mortgage financing and when required, provide our customers with guarantees as security for mortgage loans. The terms of such guarantees typically last until the transfer of the property ownership certificate to the purchaser and the certificate is registered in favor of the bank. 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. Upon fulfillment of our obligations under the guarantee, the mortgagee bank will assign its rights under the mortgage to us and we will have full recourse to the property. We do not conduct independent credit checks on our customers but rely on the credit checks conducted by relevant banks.

As of December 31, 2020, 2021 and 2022 and June 30, 2023, our outstanding guarantees over the mortgage loans of our customers amounted to RMB1,341.6 million, RMB1,636.6 million, RMB2,084.5 million (US\$386.8 million) and RMB2,121.3 million (US\$292.5 million), respectively. We had not encountered any material incidents of default by our customers.

Quality control on completion of construction work

As the quality of our properties directly affects the success of our projects and our reputation, we place high emphasis on project supervision to ensure that our property development projects meet our quality standards and comply with the relevant laws and regulations. Our quality control function is conducted by our engineering center which oversees and manages the quality control of construction work of our projects.

Upon completion of the construction work, our engineering center will conduct thorough inspections of the properties to ensure that the quality of work in different aspects has attained the standard required by the relevant laws and regulations of the PRC, and assist in the preparation and arrangement for the requisite completion and acceptance inspections by the relevant government authorities.

In addition to the completion stage of construction work, we adopt stringent quality control policies throughout the whole property development process. For instance, we conduct extensive due diligence and implement quality control in the selection of external design firms for our project design, raw materials suppliers and construction contractors for the construction work of our projects. Our engineering center performs routine inspection on the building construction materials procured by our construction contractors and raw materials provided by our suppliers when the materials enter into our construction sites. We formulate standardized technical and quality control guidelines that set out our requirements as to quality control standards in the construction processes. We also include terms relating to the required standard of quality in the agreements we entered into with our construction contractors.

During the construction process, other than regular inspection on quality conducted by our engineering center, we engage independent third party construction supervision companies to supervise the overall construction of our property projects, and conduct quality and safety control inspection on the building materials and workmanship on site. We engage construction supervision companies that have appropriate qualifications, such as qualification to supervise building construction, electrical engineering and/or public infrastructure works. We take into account factors such as qualifications, industry experience and scale of operations of the candidates in selecting our construction supervision companies. Pursuant to our agreements with the construction supervision companies, their generally duties include formulation of a construction supervision plan with implementation guidelines and logbooks, allocation of supervision engineer and relevant staff to station at the work site, preparation of monthly supervision report for our management's inspection, testing of construction material and inspection of completed works in key stages of the construction process. We generally pay the construction supervision companies in stages and retain 5% of the contract sum as retention money for warranty.

Delivery and After-sales Services

We endeavor to deliver completed properties to our customers in a timely manner in accordance with the terms of the sales contract. To ensure timely delivery of our properties, we closely monitor the progress of construction of our properties. If we fail to deliver the completed properties within the stipulated timeframe due to our default, we may be liable to pay certain percentage of the purchase price as penalty pursuant to the terms of the relevant sales contracts. Prior to the delivery of our properties, we are required to complete the relevant completion filings. After our property projects have passed the requisite completion and acceptance inspections, we will notify our customers before the delivery dates stipulated in the sales contract and arrange for delivery procedures to complete the sales process.

We are committed to customer satisfaction and our sales and marketing center is responsible for our after-sales customer services. We provide comprehensive after-sales services such as providing property management services, supervising the repair and ongoing maintenance of our properties and handling customers' complaint.

Warranties

We provide our customers with warranties for the quality of the structure of the building pursuant to the Measures on the Sales of Commodity Housing (商品房銷售管理辦法) and Regulations for the Operations of Urban Property Development (城市房地產開發經營管理條例). Further, in accordance with published national standards, we provide quality warranties for the ground foundation and main structure of the properties, waterproofing of property and wall surfaces, kitchen and bathroom floors and basement, heater and air conditioning systems, sewage pipes, sanitary wares and fitting out work. As stipulated in our sales contracts, the warranty periods commence on the day of actual delivery of the properties. They vary depending on the covered items and are generally for a period of two months to three years. In particular, the warranty periods for ground foundation and main structure of the properties refer to the relevant reasonable lifespans stated in the design documents. Our construction contractors are responsible for the warranties with regard to the relevant quality standards.

We generally allow for return of our properties where there are material discrepancies in the GFA of our properties delivered as compared to the GFA stipulated in the formal sale and purchase agreement, material changes made by us to the property layout and design of the properties without the authorization of our customers, and material delays in the delivery of our properties which exceed the dates stipulated in the sales contracts.

OUR HOTEL OPERATIONS

The following table sets out certain key information with respect to our hotels in operation as of June 30, 2023:

Location	Just Stay Hotel (廣州卓思道酒店) No. 190 Guanjing Road, Xingnan Avenue, Nancun town, Panyu District, Guangzhou, China	Just Stay Resort (從化卓思道溫泉度假酒店) No. 288 Yuquan Avenue, Liangkou town, Conghua District, Guangzhou, China
Commencement time	May 2016	July 2017
Approximate total site area (sq.m.).....	2,022	125,546
Approximate GFA (sq.m.).....	10,432	21,844
Number of rooms available	100	179
Number of food and beverage facility	1	1
Number of banquet hall.....	1	1
Total number of conference room(s).....	1	2
Occupancy rate for the six months ended June 30, 2023 (%)	65.88%	55.33%
Average daily rate for the six months ended June 30, 2023 (RMB)	369.52	878.7
RevPAR for the six months ended June 30, 2023 (RMB)	243.43	486.2
Revenue for the six months ended June 30, 2023 (RMB million)	9.5	23.8

In 2020, 2021 and 2022 and the six months ended June 30, 2023, our revenue from our hotel operations amounted to approximately RMB61.4 million, RMB78.8 million, RMB64.5 million (US\$8.9 million) and RMB35.6 million (US\$4.9 million), respectively, representing approximately 2.6%, 3.9%, 12.6% and 10.9%, respectively, of our total revenue.

Pricing

The room rates we charge for our two hotels vary according to different factors, including but not limited to, the type of customers, whether there is public or long holiday, seasonal factors, and whether there are events held near the hotel. Meanwhile, food and beverage prices in our hotels are set based on various factors, including the costs of food ingredients, packaging, transportation and insurance fees.

Customers

Our customers for our hotel operations can be categorized into corporate customers and individual guests. Corporate customers include those customers who hold conference in our hotels and their employees and guests will stay in our hotels during the conference, travel agencies and room reservation centers.

Sales and marketing

For our hotel and restaurant operations, our sales and marketing activities are mainly conducted by our hotel sales and marketing department which is responsible for formulating and implementing sales plan and organizing promotional events for our Group's hotels.

We mainly promote our hotels through travel agencies, hotel booking websites, our hotel website and mobile media. We enter into contracts with travel agencies for promotion of our hotel, the major terms of which generally contain the pricing of hotel rooms, meeting and recreational facilities and food and beverage facilities, the available services provided by the hotels, policies and reservation procedures for customers, and payment terms and method. We also enter into contracts with operators of hotel booking websites for the provision of technical services including online hotel room reservation services. The major terms of such contracts generally include the pricing of hotel rooms and arrangement in change in pricing, the arrangement, verification and guarantee of room reservation, payment terms and promotion and marketing.

Further, we offer our hotel rooms, meeting and recreational facilities, hot spring facilities and food and beverage facilities at more favorable prices to corporate customers, travel agencies and operators of hotel reservation websites, government authorities, customers for our properties and our employees to attract new customers. We also provide packages for food and beverage facilities or dining and hot spring facilities from time to time to publicize our hotels. To enhance our customers' loyalty, we have operated a customer membership program under which we offer various discounts and benefits to hotel customers participating in our program. We believe that such marketing campaign helps to raise our profile and enhance the possibility of recommendations by the existing members, thereby expanding our customer base.

We value comments from our hotel customers as they can serve as an indicator for our Group to formulate strategies and enhance our quality of services. We will follow up with our hotel customers to resolve any complaints. For our hotel operations, there were no material customers' complaint which substantiated into claims or litigation against our Group as of the date of this exchange offer memorandum.

Procurement and suppliers

The major suppliers of the hotel operations of our Group comprise suppliers for our food and beverage facilities, daily utilities, laundry services and hot spring water. We generally enter into one-year contracts with suppliers for our food and beverage facilities, daily utilities and laundry services to secure purchase with favorable terms in terms of costs and payment terms, the major terms of which usually include the contract duration, pricing and payment terms, and the rights and obligations of the parties. We generally place orders for food ingredients on a daily basis to ensure freshness. We also enter into a contract with our hot spring water provider for the provision of hot spring water to Just Stay Resort. The major terms of such contract include the method and quantity of water supply, the time of completion of construction of water pipes and commencement of water supply, and the rights and obligations of the parties. We are required to pay by way of bank transfer or check. As of the date of this exchange offer memorandum, we did not experience any material disruption in our hotel operations due to shortages, disruption or delay of our supplies and we had not experienced any significant difficulties in identifying alternative suppliers for our hotel operations.

To ensure the quality of our suppliers, we conduct background assessment on potential suppliers and select suppliers which are up to standard and have the necessary license. We examine the materials supplied to us and also carry out evaluation and assessment of our existing suppliers from time to time.

Quality control

We are committed to providing a pleasant and comfortable stay for our hotel guests. We have detailed internal rules and standards on various aspects of our hotel operations including operation and hygiene for our restaurants, hotel rooms and hot spring facilities, and we provide training and supervise our personnel to ensure quality services are offered to our customers. For our food and beverages, we adopt various measures to ensure food safety, for example, we store food in different containers to prevent any food contamination or spoilage. When we receive food and beverages from our suppliers, we will check the production and expiry dates of the goods, and maintain a list of food and beverage stocks for each restaurant to facilitate inventory control. We perform stock counts and sample checks on our inventory records from time to time. We have a food and safety supervisor who conducts regular inspections on food quality for both of our hotels. Each of our hotels has their own quality control teams comprise of eight staff which are responsible for overseeing the overall quality of our services and conducting quality assessments regularly. Our food safety officer has to attend food safety management training and obtain relevant qualification from Guangdong Food and Drug Supervision and Management Bureau. The officer is responsible for setting up a food safety monitoring system and monitor food safety in our food and beverage operations.

PROPERTY MANAGEMENT

We provide property management services to purchasers of the residential properties we developed, including JY Lychee Town, JY Hot Spring Villas, JY Clearwater Bay No. 3, JY Grand Garden, JY Uniworld, JY Mountain Lake Gulf, JY Gaoligong Town, JY Jiangshan Shili, JY Egret Bay, JY Huangpu Innovation Center, JY Maofeng Town, Jinke JY Grand Garden and Yantang Project. Such services mainly include security, cleaning, gardening, car parking management, repairs and maintenance services.

Our property management center is responsible for developing the system, standards and work plans for property management of our properties, formulating the relevant service agreements and management fees, implementing the work plans such as theme-based community cultural events, providing training to our employees carrying out management services and supervising the quality of services provided, and collecting and analyzing customer data through customer satisfaction surveys in order to improve service quality. Our property management operations in JY Clearwater Bay No. 3 are tailored to fit the needs of our buyers, who mainly purchased the properties as their vacation homes. We have established the “Celebrity Club (名仕會)” which provides butler and concierge services such as room cleaning, transportation and golf courses reservation and sight-seeing tour booking to satisfy the various needs of our customers during their stay in their vacation homes, while we have property care-taking services while they are away.

We had entered into a property management services subcontracting agreement with a connected person, Agile Property Management Services Co., Ltd. (Conghua Branch) (雅居樂物業管理服務有限公司從化分公司) (“Agile Property Management Services”), in which Agile Property Management Services subcontracted to us the provision of certain part of property management services to our properties at JY Lychee Town Phase I. The services mainly include security, cleaning, gardening, and repairs and maintenance services. The reason for the arrangement is that we did not possess the requisite qualification for the provision of property management services directly to our properties at the time right after JY Lychee Town Phase I had been developed. Agile Property Management Services therefore subcontracted the provision of certain property management services of JY Lychee Town Phase I to us. As the relevant qualification requirement had been abolished by the PRC government in March 2018, we have terminated this subcontracting agreement with Agile Property Management Services and we have provided property management services to our properties at JY Lychee Town Phase I directly since September 2018.

In 2020, 2021 and 2022 and the six months ended June 30, 2023, revenue generated from our property management services amounted to approximately RMB18.3 million, RMB22.2 million, RMB28.8 million (US\$4.0 million) and RMB15.6 million (US\$2.2 million), respectively, representing approximately 0.8%, 1.1%, 5.6% and 4.8% of our total revenue in the respective periods.

OUR COMMERCIAL PROPERTIES INVESTMENT

Our commercial properties held for investment

Other than holding properties for development and sales, we also own commercial properties for leasing or sales purposes. As of June 30, 2023, the self-owned commercial properties made available for lease include (i) portions of Just Stay Hotel held for investment which comprise four premises; (ii) five commercial premises situated at the neighborhood of Just Stay Hotel at Guanjing Road, Xingnan Avenue, Nancun Town, Panyu District, Guangzhou, China; (iii) certain commercial premises situated at the neighborhood of JY Lychee Town in Conghua District, Guangzhou, China; and (iv) two pieces of industrial land in Panyu District, Guangzhou, China.

We ceased to sub-lease the commercial property we rented for use as headquarters to others since April 1, 2023.

We derive rental income by leasing out these commercial properties and we commenced our property leasing business in January 2015. In 2020, 2021 and 2022 and the six months ended June 30, 2023, revenue generated from lease and sub-lease of commercial properties amounted to approximately RMB18.6 million, RMB9.7 million, RMB6.2 million (US\$0.9 million) and RMB3.2 million (US\$0.4 million), respectively, representing, 0.8%, 0.5%, 1.2% and 1.0% of our total revenue in the respective periods.

Selection of Tenants

In selecting our tenants, we consider a number of factors including the nature of business engaged by them, their brand name and reputation, their proposed use of our properties, their financial viability and their compatibility with our development plan. We target to have a diversity of tenants offering different products and services which satisfy the needs of the surrounding communities as well as providing convenience and attraction to our hotel customers. Our tenants include restaurant, supermarket, bank, boutique, fitness center, beauty parlor, postpartum care center and infant education center.

Lease Arrangements

We enter into fixed term lease agreements with our tenants and the terms of leases range from two to eight years. The principal terms of our lease agreement typically include the term, rent, security deposit, the rights and obligations of both parties, payment terms and the termination and renewal arrangement. The rents under the lease arrangements are fixed rent (except one tenant whose rent is a fixed percentage of its profit), such rents determined based on the prevailing market rates. Our tenants are generally required to pay a security deposit of at least two months' rentals within seven days upon the execution of the lease agreements. We are required to refund the security deposit to our tenants on the dates of expiry or termination of the leases if they fulfill their obligations under the leases. Our tenants are generally required to provide us with not less than three months' written notice for any sublet or assignment of the leased properties.

We are entitled to terminate the lease agreements if our tenants alter the construction structure of the leased properties, our tenants' use of the leased properties lead to our loss or our tenants default in rental payments for six months or more. Meanwhile, our tenants can terminate the leases in advance by giving us three months' written notice. If our tenants would like to renew the leases upon their expiry, they are required to negotiate with us 60 days prior to the expiry of the leases and we generally provide them with the priority to lease the properties based on the same terms that we offer to the market. As of the date of this exchange offer memorandum, we did not experience any material disputes or litigations with our tenants, and we did not expect any significant difficulties in renewing leases with our existing tenants or entering into new leases with suitable tenants. We were also not aware of any circumstances which caused default in rental payments or early termination of lease agreements by our tenants which would lead to material adverse impact on our business operations and financial condition.

OUR CUSTOMERS

Our customers mainly include individual purchasers of our residential properties, hotel guests and tenants of our commercial properties. In 2020, 2021 and 2022 and the six months ended June 30, 2023, revenue from our five largest customers accounted for less than 30% of our total revenue, being approximately 21.3%, 20.9%, 9.0% and 9.7% of our Group's total revenue respectively, and revenue from our largest customer accounted for 6.9%, 6.7%, 2.4% and 4.2% of our Group's total revenue respectively.

OUR SUPPLIERS

Our major suppliers consist of construction contractors and construction material suppliers. In 2020, 2021 and 2022 and the six months ended June 30, 2023, purchases from our five largest suppliers accounted for approximately 44.7%, 53.9%, 47.8% and 26.9% of our Group's total purchases respectively, and our purchases from our largest supplier accounted for 16.4%, 14.9%, 21.5% and 9.0% of our Group's total purchases respectively.

ENVIRONMENTAL MATTERS

We are subject to a number of environmental protection laws and regulations, including those relating to noise pollution and environmental impact assessment. Pursuant to the applicable PRC laws and regulations, each of our property development projects is required to undergo an environmental impact assessment before the commencement of construction. Depending on the impact of the project on the environment, we must submit the relevant environmental impact study report, environmental impact analysis table or environmental impact registration form, to the authorized environmental protection authorities for their evaluation and approval. The

approval from the relevant government authorities will specify the standards applicable to the implementation of the construction project with respect to areas such as air pollution, noise emissions and water and waste discharge. Such measures are required to be incorporated into the design, construction and operation of the particular project. Upon the completion of each project, the relevant inspection authorities will inspect the project site to ensure that all applicable environmental standards and regulations have been complied with before the property can be delivered to the purchaser.

We adopt environmental policies and measures to ensure our compliance with the applicable environmental laws and regulations. For example, to minimize the negative impacts on the environment and natural resources caused by our construction process such as the emission of construction dust, noise, waste water and solid waste, other than implementing the standards and measures prescribed by the relevant environmental protection authorities, we adopt measures like procuring and using local and environmentally friendly building materials, prohibiting the burning of waste at construction sites, and limiting the operation of large scale machinery to day time and small scale machinery to indoors. To conserve energy consumption, in the design of our properties, we introduce systems to create indoor environment with good lighting and ventilation and apply water conservation technology and home automation system. We also encourage the use of a green office and promote environmental protection to our employees. For instance, to reduce the use of paper, we enhance our information technology system and maintain internal review and approval process through electronic communication channels, and encourage our employees to use both sides of paper for printing. We put up promotional posters to convey to them the message of environmental protection and encourage them to go outdoors by public transport or on foot. We also plan to participate in environmentally friendly activities such as “Earth Hour” organized by the World Wide Fund for Nature, tree planting and red packets recycle activities.

None of our properties had received any material fines or penalties associated with the breach of any environmental laws or regulations as of the date of this exchange offer memorandum.

OCCUPATIONAL HEALTH AND WORK SAFETY

We are subject to various PRC laws and regulations with respect to safety and work-related incidents. We have established a set of guidelines on issues relating to occupational health and safety and have developed a comprehensive management system to implement our policies and procedures in this respect. In addition, we provide training to our employees on topics relating to occupational health and safety to enhance their awareness and knowledge. Under applicable PRC laws and regulations, our construction contractors are responsible for the safety of the construction sites and are required to maintain accident insurance for their workers. We generally require our construction contractors to purchase accident insurance in accordance with the applicable laws and regulations and adopt effective occupational safety control measures.

We are committed to providing our employees with a safe and hygienic working environment. To ensure construction quality and safety, we have established a set of standards and specifications which we require our employees and workers employed by our construction contractors to follow and conduct regular inspections in this respect. We also closely monitor the construction process to ensure that it is in compliance with the relevant laws and regulations.

As of the date of this exchange offer memorandum, we did not encounter any incidents which resulted in material injuries or fatalities of our employees and construction workers or had a material adverse impact on our business operations; and no material fines or penalties with respect to non-compliance of the relevant PRC labor, health and safety laws and regulations had been imposed on us.

INTELLECTUAL PROPERTY RIGHTS

As of the date of this exchange offer memorandum, we are not aware of any claims in relation to infringement of intellectual property rights by any third party, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. We are also not aware of any material infringement of our intellectual property rights as of the date of this exchange offer memorandum. We believe we have taken reasonable measures to prevent infringement of our intellectual property rights.

INSURANCE

We have maintained insurance coverage in relation to our business that is adequate and customary for our industry and in compliance with laws and regulations applicable to us. As of the date of this exchange offer memorandum, we have made social insurance contributions in full to our PRC employees as required by the relevant PRC laws and regulations. We have also taken out insurances for our employees in Hong Kong as required by the relevant Hong Kong laws.

Insurance we maintained include property all risks insurance, public liability insurance for our hotels, and car insurance for our vehicles. We are not aware of any material claim on any insurance policies maintained by us as of the date of this exchange offer memorandum.

LEGAL PROCEEDINGS

We have been involved in administrative and legal proceedings in the ordinary course of business, personal injury claim from employee, dispute arising from our guarantee of mortgage granted to our customer by mortgage bank, disputes with our customer related to payment of property management fees, disputes with our customer on house decoration or property sales, dispute with our external construction contractors and property brokerage firms. We have not been involved in any legal or other disputes with contractors, purchasers or other persons that were material to our business, results of operations and financial condition. Save as disclosed in this exchange offer memorandum, we had not been involved in any actual or threatened arbitration, litigation or administrative proceedings which had or could be expected to have a material adverse impact on our reputation, business, results of operations and financial condition.

REGULATION

Set below is the 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, and environment protection, etc.

THE LAWS AND REGULATIONS OF THE PRC

This section sets out a summary of the most significant PRC laws and regulations that affect our business and the industry in which we operate.

REGULATIONS ON THE ESTABLISHMENT OF REAL ESTATE ENTERPRISES

Establishment of a Real Estate Development Enterprise

According to the *Law of the People's Republic of China on 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 by the Standing Committee of the National People's Congress ("SCNPC"), which was effective on January 1, 1995 and amended on August 30, 2007 and August 27, 2009 and August 26, 2019, a real estate developer is defined as an enterprise which engages in the development and sale of real estate for the purpose of making profit. Under 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) ("Development Regulations") promulgated and implemented by the State Council on July 20, 1998 and amended on January 8, 2011 and March 19, 2018, and further amended on March 24, 2019, March 27, 2020 and November 29, 2020, an enterprise which is to engage in the development of real estate shall satisfy the following requirements: (i) its registered capital shall be RMB1 million or above; and (ii) it shall have four or more full-time professional real estate/construction technicians and two or more full-time accounting officers, each of whom shall hold the relevant qualification certificate. The Development Regulations also stipulate that the local government of a province, autonomous region or municipality directly under the central government may, based on local circumstances, impose more stringent requirements on the registered capital and the professional personnel of a real estate developer.

Pursuant to the Development Regulations, the system of capital fund shall be established for a real estate development project and the percentage of capital fund in the total investment of a project shall not be less than 20%. Under the *Notice on Adjusting the Portion of Capital Fund for Fixed Assets Investment* (國務院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, the requirement on the minimum capital for Social Welfare Housing and general commercial residence has been reduced from 35% to 20%, while the requirement on the minimum capital for other real estate projects has been reduced to 30%. In addition, under the *Notice on Adjusting and Perfecting the System of Capital Fund for Fixed Assets Investment* (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 on September 9, 2015, the minimum portion of capital funding for Social Welfare Housing and general commercial residence remains at 20%, while the minimum portion of capital funding for other real estate projects has been reduced from 30% to 25%.

Foreign-Invested Real Estate Enterprises

On July 11, 2006, the Ministry of Construction of the PRC, the Ministry of Commerce of the PRC ("MOFCOM"), the National Development and Reform Commission ("NDRC"), People's Bank of China ("PBOC"), the State Administration for Industry and Commerce ("SAIC") and the State Administration of Foreign Exchange ("SAFE") jointly promulgated the *Opinions on Regulating the Access and Administration of Foreign Capital in the Real Estate Market* (關於規範房地產市場外資准入和管理的意見) ("Opinion 171") and amended on August 19, 2015, which states that: (i) an overseas entity or individual investing in real estate in China other than for self-use, shall apply for the establishment of a Foreign-Invested Real Estate Enterprise ("FIREE") in accordance with the applicable PRC laws and shall only conduct operations within the authorized business scope after obtaining the relevant approvals from and registering with the relevant governmental authorities; (ii) the registered capital of a FIREE with a total investment of US\$10 million or above shall be no less than 50% of its total investment amount, whereas for FIREEs with a total investment of less than US\$10 million, the current rules on registered capital shall apply; (iii) a newly established FIREE can only obtain an approval certificate and business license which are valid for one year. The approval certificate and business

license can be obtained by submitting the land use rights certificate to the relevant government departments after the land grant premium for the land has been paid; and (iv) an equity transfer or project transfer of a FIREE, as well as the acquisition of a domestic real estate enterprise by foreign investors, must first be approved by the commerce authorities. The investor shall submit a letter to the commerce authorities confirming that it will abide with the land grant contract, the construction land planning permit and the construction works planning permit. In addition, the investor shall submit the land use rights certificate, the registration of change of investor and evidence from the tax authorities confirming that the tax relating to the transfer has been fully paid.

On August 19, 2015, the Ministry of Housing and Urban-rural Development (“MOHURD”), MOFCOM, NDRC, PBOC, SAIC and SAFE jointly issued the *Circular on Amending the Policies Concerning Access by and Administration of Foreign Capital in the Real Estate Market* (關於調整房地產市場外資准入和管理有關政策的通知) which amended the relevant policies in the Opinion 171. According to this circular, (i) the ratio of registered capital to total investment of FIREEs shall be subject to the *Tentative Regulations of the State Administration for Industry and Commerce on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures* (國家工商行政管理局關於中外合資經營企業註冊資本與投資總額比例的暫行規定); and (ii) the requirement that a FIREE must fully pay its registered capital before handling the procedures for domestic loans, foreign loans, and settlement of foreign exchange loans is hereby canceled.

On September 3, 2016, the NPCSC adopted a decision on amending the law of foreign invested companies which became effective on October 1, 2016. Upon the effectiveness of the decision, the establishment of foreign invested enterprises and its subsequent changes will be required to be filed with the relevant authorities instead of obtaining approvals from the relevant commerce authorities as required by the existing PRC laws, except for the foreign invested enterprises which are subject to the special administrative measures regarding foreign investment entry. On September 30, 2016, the SAIC issued a circular on relevant issues of the registration of foreign invested enterprises to implement the decision of NPCSC. On October 8, 2016, the NDRC and MOFCOM jointly issued a notice according to which the industries falling within the categories in which foreign investment is prohibited or restricted and those falling within the encouraged category subject to the relevant requirements of equity or senior management under the Guidance Catalog, will be subject to the special administrative measures for foreign investment entry.

Under the *Catalog of Industries for Guiding Foreign Investment* (外商投資產業指導目錄) (“Guidance Catalog”) promulgated by MOFCOM and the NDRC on March 10, 2015 and became effective on April 10, 2015, the construction of golf courses and villas falls within the category of industries in which foreign investment is prohibited, and the construction and operation of large theme parks fall within the restricted category. Other real estate development falls within the category of industries in which foreign investment is permitted. On June 28, 2017, MOFCOM and the NDRC jointly issued the latest revised Guidance Catalog which was effective on July 28, 2017, according to which, the unanimous restrictive measures on both domestic and foreign investment are no longer included in the Guidance Catalog. The construction of golf courses and villas still belongs to the prohibition category. The construction and operation of large theme parks must be subject to the project approval process. The Guidance Catalog was abolished in 2019. Investment activities in China by foreign investors are principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2021 Edition) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “Negative List”) and the Catalogue for the Encouragement of Foreign Investment Industries (2020 Edition) (鼓勵外商投資產業目錄(2022年版)), which were both promulgated by the MOFCOM and the NDRC and each became effective on January 27, 2021 and January 1, 2023. The Catalogue for the Encouragement of Foreign Investment Industries (2022 Edition) and the Negative List replace the Guidance Catalogue and set forth the industries in which foreign investments are encouraged, restricted and prohibited. Industries that are not listed in any of these three categories are generally open to foreign investment unless otherwise specifically restricted by other PRC rules and regulations.

On March 15, 2019, the National People’s Congress promulgated the *Foreign Investment Law of the People’s Republic of China* (中華人民共和國外商投資法) which became effective on January 1, 2020. Pursuant to it, foreign investors shall not invest in any field forbidden by the negative list for access of foreign investment (hereinafter referred to as the “negative list”). For any field restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list. Fields not included in the negative list shall be managed under the principle that domestic investment and foreign investment shall be treated uniformly.

On December 26, 2019, the National People's Congress promulgated the Implementing Regulations of the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法實施條例), which became effective from January 1, 2020. Pursuant to it, foreign investors shall not invest in any field forbidden by the negative list, and if foreign investors invest in fields restricted by the negative list, foreign investors shall conform to the requirements of the shareholding ratio and senior executives specified in the negative list. Where foreign investors invest in an industry or field requiring relevant licensing, the pertinent competent department responsible for granting the licensing shall review the foreign investor's application for relevant licensing in line with the conditions and procedures consistent with those for domestic investment, without adding more or applying stricter licensing conditions, increasing review processes, review materials or putting forward other requirements against such foreign investor, unless otherwise stipulated by laws and administrative regulations. Foreign investors or foreign-invested enterprises shall submit their investment information to competent departments for commerce through the enterprise registration system and the National Enterprise Credit Information Publicity System.

On December 30, 2019, MOFCOM and the State Administration for Market Regulation jointly issued the Measures for Information Report of Foreign Investment (外商投資信息報告辦法), which became effective from January 1, 2020. According to it, since January 1, 2020, the relevant reports to the commerce authorities through the enterprise registration system will be required for the establishment of foreign-invested enterprises and the subsequent changes, instead of filing with or obtaining approvals from the commerce authorities.

Qualification of a Real Estate Developer

Classification of a real estate enterprise's qualification

Under the Development Regulations, a real estate developer must record its establishment to the governing real estate development authorities in the location of the registration authority within 30 days after receiving its business license. The real estate development authorities shall examine applications for classification of a real estate developer's qualification by considering its assets, professional personnel and industrial achievements. A real estate enterprise shall only engage in real estate development projects in compliance with its approved qualification.

Under *the Provisions on Administration of Qualifications of Real Estate Development Enterprises* ("Provisions on Administration of Qualification") (房地產開發企業資質管理規定) promulgated by the Ministry of Construction of the PRC and implemented on March 29, 2000, revised on May 4, 2015 and December 22, 2018, and last amended on March 2, 2022, a real estate developer shall apply for registration of its qualifications. An enterprise may not engage in the development and sale of real estate without a qualification classification certificate for real estate development.

In accordance with the Provisions on Administration of Qualification, qualifications of an enterprise are classified into two classes: class 1 and class 2. Different classes of qualification should be examined and approved by corresponding authorities. The class 1 qualification shall be subject to preliminary examination by the construction authority under the government of the relevant province, autonomous region or municipality directly under the central government and then final approval of the construction authority under the State Council. Procedures for approval of developers of class 2 shall be approved by the construction authority under the people's government of the relevant province, autonomous region or municipality directly under the central government or designated by provincial government.

The property development qualification certificate has a validity period of three years. The property development governmental authorities at county level or above shall conduct oversight of "Random Inspection and Public Release" (i.e., the random selection of both inspectors and inspection targets and the prompt release of results) over the property developers to find out whether there are any unlawful acts.

Business scope of a real estate developer

Under the Provisions on Administration of Qualification, a developer of any qualification classification may only engage in the development and sale of the real estate within its approved scope of business and may not engage in business which falls outside the approved scope of its qualification classification. A class 1 real estate developer may undertake real estate development projects throughout the country without any limit on the scale of the project. A real estate developer of class 2 may undertake a project with a GFA of less than 250,000 sq.m.

REGULATIONS ON LAND AND THE DEVELOPMENT OF REAL ESTATE PROJECTS

Land Grants

On April 12, 1988, the *Constitution of the PRC* (中華人民共和國憲法) (the “Constitution”) was amended by the NPC to allow the transfer of land use rights for value. On December 29, 1988, the *Land Administration Law of the PRC* (中華人民共和國土地管理法) was amended by the SCNPC to permit the transfer of land use rights for value.

Under the *Provisional Regulations of the PRC on Grant and Transfer of the Right to Use State-Owned Urban Land* (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) promulgated by the State Council on May 19, 1990 and amended on November 29, 2020, a system of grant and transfer of the right to use State-owned land is adopted. A land user shall pay land premium to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. The land administration authority under the local government of the relevant city or county shall enter into a land grant agreement with the land user to provide for the grant of land use rights. After full payment of the land premium, the land user shall register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights.

According to the *Regulations regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale* (招標拍賣掛牌出讓國有建設用地使用權規定) promulgated by the Ministry of Land and Resources (“MLR”) on May 9, 2002 and amended on September 28, 2007, land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction or putting up for bidding. A number of measures are provided to ensure such grant of land use rights for commercial purposes is conducted openly and fairly.

On June 11, 2003, the MLR promulgated the *Regulations on the Grant of State-owned Land Use Rights by Agreement* (協議出讓國有土地使用權規定). According to this regulation, if there is only one entity interested in using the land, the land use rights (excluding profit-oriented land for commercial use, tourism, entertainment and commodity residential properties) may be assigned by way of agreement. If two or more entities are interested in the land use rights to be assigned, such land use rights shall be granted by means of tender, auction or listing-for-sale.

The *Regulations regarding the Grant of State-Owned Land Use Rights by Way of Tender, Auction and Listing-for-sale* was revised on September 28, 2007 with the name *Regulations regarding the Grant of State-Owned Construction Land Use Rights by Way of Tender, Auction and Listing-for-sale* (招標拍賣掛牌出讓國有建設用地使用權規定) to further require that land for industrial use, except land for mining, must also be granted by public tender, auction and listing-for-sale. Only after the grantee has paid the land premium in full under the land grant contract can the grantee apply for the land registration and obtain the land use rights certificates. Furthermore, land use rights certificates may not be issued in proportion to the land premium paid under the land grant contract.

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)* (關於發佈實施<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 MLR and the NDRC on May 23, 2012, the granted land area of each residential housing project should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, and (iii) 20 hectares for large cities, and the plot ratio must be more than 1.0 (inclusive).

Development of a real estate project

Commencement of real estate project and regulations with respect to idle land

Under the *Urban Real Estate Law*, those who have been granted the land use rights must develop the land in accordance with the use and construction period as prescribed by the land use right grant contract. Where construction does not commence within one year of commencement of construction as stipulated in the contract,

an idle land fee may be charged at a rate of not more than 20% of the fee for the grant of land use rights. Where construction does not commence within two years, land use rights may be recovered without any compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or preliminary work necessary for the commencement of construction.

Pursuant to the *Measures on Disposal of Idle Land* (閒置土地處置辦法) promulgated by the MLR on April 28, 1999, amended on June 1, 2012 and became effective on July 1, 2012, the land can be defined as idle land under any of the following circumstances: (i) development and construction of the state-owned idle land has not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or (ii) the development and construction of the state-owned idle land have commenced but the area under such development and construction 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 choose the methods for disposal in accordance with the *Measures on Disposal of Idle Land*.

Planning and Acceptance Examination of a Real Estate Project

On October 28, 2007, the SCNPC promulgated the *Urban and Rural Planning Law of the PRC* (中華人民共和國城鄉規劃法) and amended on April 23, 2019, pursuant to which, a construction work planning permit must be obtained from the relevant urban and rural planning government authorities for building any structure, fixture, road, pipeline or other engineering project within an urban or rural planning area.

After obtaining the construction work planning permit, a real estate developer shall apply for a construction work commencement permit from the construction authority under the local people's government at the county level or above in accordance with the *Measures for the Administration of Construction Permit for Construction Projects* (建築工程施工許可管理辦法) promulgated by MOHURD on June 25, 2014, implemented on October 25, 2014 and amended on September 28, 2018 and March 30, 2021.

In accordance with the *Regulations on Administrative of Development and Operation of Urban Real Estate* promulgated by the State Council on July 20, 1998 and amended on January 8, 2011 and March 19, 2018, the *Development Regulations* and the *Regulations on the Quality Management of Construction Projects* (建設工程質量管理條例) promulgated by the State Council on January 30, 2000 and amended on October 7, 2017 and amended on April 23, 2019, the *Administrative Measures for Reporting Details 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 MOHURD on April 7, 2000 and amended on October 19, 2009 and the *Rules for the Confirmation of the Completion of Building Construction and Municipal Infrastructure Projects* (房屋建築和市政基礎設施工程竣工驗收規定) promulgated by MOHURD and implemented on December 2, 2013, after the completion of construction of a project, the real estate must undergo inspection and receive relevant approvals from local authorities including planning bureau, fire safety authorities and environmental protection authorities within 15 days, and the relevant approvals should be despatched to the competent department of real estate development at regular intervals for the record.

REGULATIONS ON REAL ESTATE TRANSFER AND SALE

Real Estate Transfer

According to the Urban Real Estate Law and the *Provisions on Administration of Transfer of Urban Real Estate* (城市房地產轉讓管理規定) promulgated by the Ministry of Construction on August 7, 1995 and as amended on August 15, 2001, a real estate owner may sell, bequeath or otherwise legally transfer property to another person or legal entity. When transferring a building, the ownership of the building and the land use rights to the site on which the building is situated are transferred simultaneously. The parties to a transfer shall enter into a property transfer contract in writing and register the transfer with the real estate administration authority having jurisdiction over the location of the property within 90 days of the execution of the transfer contract.

Sale and Pre-sale of Commodity Buildings

Under the *Regulatory Measures on the Sale of Commodity Buildings* (商品房銷售管理辦法) (“Regulatory Measures”) promulgated by the Ministry of Construction on April 4, 2001 and implemented on June 1, 2001, sale of commodity buildings can include both pre-completion sales (pre-sale) and post-completion sales. The developer shall sign a contract on the sale of a commodity building with the purchaser. The price of the commodity building is decided by both parties, except for the conditions regulated by other laws and regulations.

Under the Regulatory Measures, commodity buildings may be put to post-completion sale only when the following preconditions have been satisfied: (i) the real estate development enterprise shall have a business license and a qualification certificate of a real estate developer; (ii) the enterprise shall obtain a land use rights certificate or other approval documents for land use; (iii) the enterprise shall have the construction work planning permit and construction work commencement permit; (iv) the building shall have been completed, inspected and accepted as qualified; (v) the relocation of the original residents shall have been well completed; (vi) the supplementary essential facilities for supplying water, electricity, heating, gas, communication, etc. shall have been made ready for use, and other supplementary essential facilities and public facilities shall have been made ready for use, or the schedule of construction and delivery date shall have been specified; and (vii) the real property management plan shall have been completed. Before the post-completion sale of a commodity building, a real estate developer shall submit the Real Estate Development Project Manual and other documents evidencing the satisfaction of preconditions for post-completion sale to the real estate development authority.

According to the *Development Regulations and the Measures for Administration of Pre-sale of Commodity Buildings* (城市商品房預售管理辦法) (“Pre-sale Measures”) promulgated by the Ministry of Construction on November 15, 1994 and amended on August 15, 2001 and July 20, 2004 respectively, the pre-sale of commodity buildings shall be subject to a licensing system, and a real estate developer intending to sell a commodity building before its completion shall make the necessary pre-sale registration with the real estate development authority of the relevant city or county to obtain a pre-sale permit. According to the Pre-sale Measures, the proceeds of a real estate developer from the pre-sale of commodity buildings must be used for the construction of the relevant projects.

On September 21, 2018, the Guangdong Real Estate Association issued an *Emergency Notice on the Relevant Opinions on Providing the Pre-sale Permit for Commodity Houses* (關於請提供商品房預售許可有關意見的緊急通知), asking for opinions on the cancelation of the pre-sale system of commodity residential properties. MOHURD and Guangdong province have not issued any regulations on abolishing the pre-sale system of commodity residential properties.

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-build and second-hand commodity properties.

Measures on Stabilizing Housing Prices

Measures on Stabilizing Real Estate Market

In July 2023, General Office of the State Council promulgated the Guiding Opinions on Actively and Steadily Promoting the Transformation of Urban Villages in Megacities (關於在超大特大城市積極穩步推進城中村改造的指導意見), under which the renovation of urban villages in the super large cities will be implemented in three categories. First is the implementation of qualified demolition of new, second is to carry out regular improvement and the third is between the implementation of demolition and consolidation. The government shall adhere to expropriation in accordance with the law and transfer of clean land, make the market play a decisive role in the allocation of resources and specify the departments responsible for and compensation for the expropriation of houses on collective land, the expropriation and compensation standards, and procedures, etc.; carry out the expropriation in accordance with the laws and regulations.

According to the Notice on Optimizing the Determination of Housing Units in Individual Housing (關於優化個人住房貸款中住房套數認定標準的通知) issued by the People’s Bank of China (“PBOC”) and China Banking and Insurance Regulatory Commission (“CBIRC”) on August 18, 2023, when a resident household

(including the borrower, his/her spouse and children) applies for loans to purchase commodity housing, if any of his/her family members does not own a complete set of housing under the name of the place where he/she lives, the financial institutions in the banking industry shall implement the housing credit policies for the first set of housing regardless of whether he/she has purchased such housing with loans or not, which means mortgages on second homes to be treated in the same way as a first mortgage, as long as the buyer has paid off the first loan.

According to the Notice on Optimizing the Stable and Healthy Policy of the Real Estate Market (廣州市人民政府辦公廳關於優化我市房地產市場平穩健康發展政策的通知) promulgated by the Guangzhou Government on September 19, 2023, Guangzhou housing purchase restriction policy is to limit the purchase of 2 sets of housing for households with household registration in Nansha and other districts of Yuexiu, Haizhu, Liwan, Tianhe, Baiyun (excluding Taihe Town, Renhe Town, Jianggao Town, Zhong Luotan Town); non-resident families that have continuously paid personal income tax or social insurance in this city for 2 years before the date of purchase in this city can provide a limited purchase of one set of housing. The VAT exemption period for individual sales housing in Yuexiu, Haizhu, Liwan, Tianhe, Baiyun, Huangpu, Panyu, Nansha, Zengcheng and other districts will be adjusted from 5 years to 2 years. Otherwise, the government will promote the development of public rental housing, low-income housing for leasing and the rationed low-income housing.

According to the Notice on Matters Related to the Interest Rate of the First Set of Housing in Stock (關於降低存量首套房貸款利率有關事項的通知) (銀發[2023]174號) issued by the PBOC and CBIRC on August 31, 2023 and effective on September 25, 2023, a borrower who applies for a commercial individual housing loan for first set of housing stock may apply to the financial institution that undertakes the loan to replace the commercial individual housing loan for first set of housing stock with the new loan granted by the financial institution. Interest rates on new loans shall be determined by financial institutions and borrowers independently upon negotiation, provided that the range of the LPR points added shall not be lower than the lower limit of the policy of interest rate for commercial individual housing loans for the purchase of first house in the city where the original loan is granted.

According to the *Notice on 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 the China Banking Regulatory Commission (“CBRC”) on March 30, 2015 and effective on the same date, and 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 MOF and SAT on March 30, 2015 and effective on March 31, 2015 (collectively, the “330 New Policy”), (i) where a household, which has already owned a home 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%. 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; (ii) 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 home, 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; and (iii) 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.

According to the *Notice on Matters Concerning Individual Housing Loan Policies* (關於個人住房貸款政策有關問題的通知) promulgated on March 30, 2015, in the cities without restrictive measures for house purchase, the minimum down payment for the purchase shall, in principle, be 25 percent of the house price with respect to the commercial individual housing loans to resident households for the first-time purchase of common residential houses, and the said percentage may float downward by five percentage points in different regions. In the case of resident households who own an apartment and have yet to settle the corresponding property purchase loan, and apply for commercial housing loan for purchase of an ordinary apartment again for improvement of living conditions, the minimum down payment ratio shall be adjusted to not less than 30%. In the case of cities which implement “restriction measures for property purchase”, the individual housing loan policies shall comply with the former provisions.

The Department of Housing and Urban Rural Development of Qingyuan and the Department of Development and Reform of Qingyuan jointly issued the *Circular on Further Strengthening the Supervision of Real Estate Market* (關於進一步加強我市房地產市場監管工作的通知) on June 8, 2017, which requires that real estate developer should register with the Department of Development and Reform of the sale price before the developer applies for the pre-sale permit. The registered prices are allowed to fluctuate in the appropriate range, but the increase cannot be higher than 5% of the actual sale price of the same new type of commodity housing before 1 months of this project. The decrease of the actual sale price cannot exceed 15% of the registered price.

The General Office of Hainan Provincial Committee of the Communist Party of China issued the *Circular of Further Stabilizing the Real Estate Market* (關於進一步穩定房地產市場的通知) on April 22, 2018 which mainly requires the following: (i) implementation of the strictest system for economizing on the use of land and the control of both the total and intensity of construction land supply, ensuring that the total construction land in Hainan Province will not increase; implementation of the general plan of Hainan (space category 2015 – 2030) and strictly control the ecology space use; (ii) implementation of strict purchase policy and extension of the purchase policy to the whole province based on the current purchase policies. The houses in Wuzhishan, Baoting, Qiongzong and Baisha cities and counties can only be sold to family with household in those cities and counties. For the areas which have already implemented purchase limit policies in Haikou, Sanya and Qionghai, families without Hainan household should provide at least 1 family member’s continuous payment certificate of personal income tax or social insurance for at least 60 months, in order to purchase houses in the said areas. Apart from the areas above, families without Hainan household who purchase houses, should provide at least 1 family member’s continuous payment certificate of personal income tax or social insurance for at least 24 months. The family who obtained Hainan household after this Circular has come into effect is limited to purchase only 1 housing unit, and the family has to provide at least 1 family member’s continuous payment certificate of personal certificate of personal income tax or social insurance for at least 24 months; and (iii) the family without Hainan household who purchase houses in Hainan Province should pay no less than 70% down payment for commercial personal housing loans.

The PBOC and CBRC jointly promulgated the Notice on Establishing a Centralization Management System for Real Estate Loans of Banking Financial Institutions (關於建立銀行業金融機構房地產貸款集中度管理制度的通知) on December 31, 2020, which requires a PRC financial institution (excluding its overseas branches) to limit the amount of real estate loans and personal housing mortgage loans it lends to a proportion calculated based on the total amount of RMB loans extended by such financial institution.

From late 2021, the central government and a number of local governments have promulgated measures for healthy development of the property market, including without relaxing residential purchase restrictions, lowering interest rate of mortgage loans and optimizing the use of presale proceeds under supervision. For example, on May 15, 2022, the People’s Bank of China and the China Banking and Insurance Regulatory Commission jointly issued the “Notice on Relevant Issues Regarding the Adjustment of Differential Mortgage Loan Policies” (關於調整差別化住房信貸政策有關問題的通知) under which, for purchasing self-used ordinary residential properties, the interest rate of loans for first-time home purchasers is adjusted to be not lower than the LPR of corresponding maturity minus 20 basis points.

On August 31, 2023, the PBOC and CBIRC jointly issued the “Notice on Adjustment of Differential Mortgage Loan Policies” (關於調整優化差別化住房信貸政策的通知) under which, for households that purchase commercial housing on loans, the minimum down payment ratio of commercial individual housing loans for the first and second house shall be no less than 20% and 30%, respectively.

Rural collective construction land

On August 26, 2019, the Land Administration Law of the PRC was amended by the SCNPC became effective on January 1, 2020. Pursuant to it, the use right of rural collective construction land could be granted and leased by land owners to entities or individuals. Granting and leasing the use right of rural collective construction land should be subject to consent by not less than two-thirds of the members of the collective economic organization or of the members’ representatives. On June 23, 2005, the People’s Government of Guangdong Province promulgated the *Administrative Measures of Guangdong Province for the Circulation of the Right to Use Collective Construction Land* (廣東省集體建設用地使用權流轉管理辦法) which became effective on October 1, 2005. On May 25, 2016, the Standing Committee of the Guangdong Provincial People’s Congress promulgated the *Regulations on the Management of Collective Assets in Rural Areas of Guangdong* (廣東省農

村集體資產管理條例) which became effective on July 1, 2016. On April 15, 2015, the People's Government of Guangzhou promulgated the *Regulations on the Management of Collective Asset Transaction in Rural Areas of Guangzhou* (廣州市農村集體資產交易管理辦法) which became effective on June 1, 2015. On July 23, 2015, the General Office of the People's Government of Guangzhou promulgated the *Measures of Guangzhou for the Circulation of the Right to Use Collective Construction Land* (廣州市集體建設用地使用權流轉管理辦法). However, this regulation has expired in 2020 and the government of Guangzhou has not issued any new regulation yet. The People's Government of Baiyun District of Guangzhou promulgated the *Measures on the Management of Collective Assets in Rural Areas of Baiyun District of Guangzhou* (廣州市白雲區農村集體資產交易管理辦法) on March 12, 2018, which was amended on September 30, 2020. Pursuant to the above regulations, under the premise that the ownership of collective construction land remains unchanged, the right to use collective construction land could be granted, leased, transferred, subleased and mortgaged.

The grant of the use of collective construction land by the collective economic organization should conform to the following: (i) conforming to the General Land Use Planning, Urban and Rural Planning, and not being used as commodity housing development and housing construction; (ii) having obtained the Certificate of the Ownership of Collective Land and the Certificate of Collective Land of Use; (iii) having obtained the permit of Construction Land Planning; (iv) having been approved by the Meeting of Collective Economic Organizations or the Meeting of the Delegates (which should have obtained no less than two-thirds of all members or delegates' consent), and having gained the document of consent.

The grant of the use of collective construction land should be conducted in the Organization of Transaction for Rural Collective Asset (三資平台) or the transaction center for public resources. The land which conforms to the following circumstances should be granted by way of tender, auction and listing for sale: industrial land, or the profit-oriented collective construction land including commercial, tourism, and entertainment land, or land which has more than two potential users. The land planned for other uses could be granted by way of agreement.

The procedure of the grant of use of collective construction land in the Organization of Transaction for Rural Collective Asset is as follows: (i) the collective economic organization should apply for the intention to grant and submit the transaction plan in the Organization of Transaction for Rural Collective Asset; (ii) the transaction plan should be examined first in town or street; (iii) the transaction plan should be approved by the Meeting of Collective Economic Organizations or the Meeting of the Delegates and be officially published; (iv) the project should be set up in town or street; (v) the Organization of Transaction for Rural Collective Asset should announce the transaction; (vi) the grantee should be determined and the transaction result should be announced; and (vii) the transaction parties should sign the agreement and put on record in town or street.

In Baiyun District of Guangzhou, the procedure of the grant of use of collective construction land is as follows: (i) the collective economic organization should apply to the town or street regarding the intention to grant collective land; (ii) the town or street should prepare relevant materials and consult with the departments of land resources, planning, urban management, information and technology, industry, business and investment in Baiyun District, and the town or street should collect the preliminary opinions from the above departments and apply to the government of Baiyun District for examination; (iii) the collective economic organization should vote for and announce the grant plan, and prepare written documents of approval of the grant plan; (iv) after the above written documents are prepared, the town or street should apply to the department of land resources in Baiyun District to include the collective land to be granted into the annual land supply plan; (v) apply to the Organization of Transaction for Rural Collective Asset for transaction.

Mortgage on real estate

Under the Civil Code of the People's Republic of China (中華人民共和國民法典) ("PRC Civil Code") promulgated by the SCNPC on May 28, 2020, and implemented on January 1, 2021, when a mortgage is created on a building legally obtained, a mortgage shall be simultaneously created on the land use rights of the land on which the building is situated. When the land use rights of state-owned land acquired through means of grant are being mortgaged, the buildings on the land shall also be mortgaged at the same time. The land use rights of town and village enterprises cannot be mortgaged. When buildings owned by town and village enterprises are mortgaged, the land use rights occupied by the buildings shall also be mortgaged at the same time. The mortgager and the mortgagee shall sign a mortgage contract in writing.

According to the *Measures on the Administration of Mortgages of Real Estate in Urban Areas* (城市房地產抵押管理辦法) promulgated by the Ministry of Construction in May 1997 and amended on August 15, 2001 and March 30, 2021, within 30 days after a real estate mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the real estate administration authorities at the location where the real estate is situated. A real estate mortgage contract shall become effective on the date of registration of the mortgage. If a mortgage is created on the real estate in respect of which a house ownership certificate has been obtained, the registration authority shall make an entry under the “third party rights” item on the original house ownership certificate and then issue a Certificate of Third Party Rights to the mortgagee. If a mortgage is created on the commodity building put to pre-sale or under construction, the registration authority shall record the details on the mortgage contract. If construction of a real property is completed during the term of a mortgage, the parties involved shall re-register the mortgage of the real property after issuance of the certificates evidencing the ownership of the real property.

Lease of buildings

The *Administration Measures for Commodity Housing Leasing* (商品房屋租賃管理辦法) was promulgated on December 1, 2010 and came into effect on February 1, 2011. Pursuant to it, the parties to a real estate lease shall go through the lease registration formalities with the competent construction (real estate) departments of the municipalities directly under the Central Government, cities and counties where the housing is located within 30 days after the lease contract has been signed. There will be a fine below RMB1,000 on individuals who fail to make corrections within the specified time limit, and a fine between RMB1,000 and RMB10,000 on units which fail to make corrections within the specified time limit.

Real Estate Registration

According to the *Interim Regulations on Real Estate Registration* (不動產登記暫行條例) promulgated by the State Council on November 24, 2014 and enforced on March 1, 2015 and amended on March 24, 2019, the PRC will apply a uniform registration system over real estate. Under this system, ownership of buildings and land use right shall be registered in accordance with the provisions of the mentioned Interim Regulations. If registration is applied by reasons of transfer or settlement of mortgage, the application shall be made jointly by both parties.

The MLR promulgated the *Implementing Rules of the Interim Regulations on Real Estate Registration* (不動產登記暫行條例實施細則) on January 1, 2016 and amended on July 24, 2019. The rules stipulate that after the acceptance of an application for real estate registration, the real estate registration authority shall perform site inspection. The owners and interested parties may inquire and obtain the relevant real estate registration information. The rules also clarify that real estate registration information shall be managed by the relevant real estate registration authorities, who shall establish a real estate registration information management system and the information safety and confidentiality system, and construct a specific place that meets the security standard for the protection of real estate registration materials to store the real estate registration materials.

REGULATIONS ON REAL ESTATE FINANCING

Pursuant to the *Guidance on Risk Management of Real Estate Loans of Commercial Banks* (商業銀行房地產貸款風險管理指引) issued by the CBRC on August 30, 2004, loans of any kind must not be granted for projects which do not obtain a land use rights certificate, construction land planning permit, construction work planning permit and construction work commencement permit. Any real estate developer applying for real estate development loans shall have at least 35 percent of capital required for the development.

On July 29, 2008, PBOC and CBRC jointly issued the *Notice on Promoting Economical and Intensive Use of Land through Finance* (關於金融促進節約集約用地的通知). The notice emphasizes the tightening of the management of loans to certain projects, the commercial banks are prohibited from providing loans to property developers to finance the payment of land premium.

On September 29, 2010, PBOC and CBRC jointly issued the *Circular on Issues Concerning the Improvement of Differentiated Housing Loan Policies* (關於完善差別化住房信貸政策有關問題的通知), which states that commercial banks shall stop issuing loans for new development projects and extending loan extensions to real estate development enterprises that have illegal records, such as holding idle land, changing the use and nature of land, delaying the opening of completion time, and selling the land to the public. We will continue to support real estate development enterprises in undertaking medium-and low-priced, small-and medium-sized housing projects and in participating in government-subsidized housing projects.

On March 13, 2018, the PRC State Council further submitted the Reform Plan on State Council Agencies for review of the First Session of the thirteenth NPC, proposing to merge the CIRC and the CBRC to strengthen the regulation over financial institutions, and thereafter report to the newly established Financial Stability and Development Committee.

On 25 August, 2019, PBOC issued the Announcement of the People’s Bank of China No.16 [2019] under which, starting from October 8, 2019, new commercial individual housing loans should be priced by adding basis points to the latest monthly loan prime rate (LPR) of corresponding maturity. The basis points added should conform to the national and local housing credit policy requirements, reflect the loan risk profile, and remain fixed during the contract period. The interest rate of first-time commercial individual housing loans should not be lower than the LPR of corresponding maturity, and the interest rate of second-time commercial individual housing loans not be lower than the LPR of corresponding maturity plus 60 basis points.

REGULATIONS ON URBAN RENEWAL POLICY

Regulation of the Province of Guangdong

On August 25, 2009, the People’s Government of Guangdong Province issued the *Opinions on Promoting the “Three Old” Renewal and Promoting the Economical and Intensive Use of Land* (關於推進「三舊」改造促進節約集約用地的若干意見). On September 14, 2016, the People’s Government of Guangdong Province issued the *Notice on Upgrading the “Three Old” Renewal to Promote the Economical and Intensive Use of Land* (關於提升「三舊」改造水準促進節約集約用地的通知). Pursuant to the above regulations, the land which could be included in the scope of “Three Old” Renewal Policy are as follows: (i) urban land re-designated from manufacturing industry to the tertiary industry (退二進三); (ii) land discontinued to be used as factory sites of manufacturing industries under urban and rural planning; (iii) the original land for factories in prohibited or eliminated industries as stipulated in the state industrial policies; (iv) land of factories that do not meet the requirements of safe production or environmental protection; (v) towns and villages with scattered layout or in poor conditions that are planned to be redeveloped; and (vi) land for “Rural Land Improvement” Demonstration Project. All land subject to the “Three Old” Renewal Policy should have completed cadastral survey and it should be confirmed that the land use rights are registered. In the self-redevelopment projects of old factories involving changing the land from industrial land into profit-oriented land such as commercial, tourism, entertainment and commodity housing land, the land owner should pay supplementary land premium and other taxes and fee, and no less than 15% of the total land should be transferred to the government for free for urban infrastructure, public service facilities or other public welfare projects construction.

Regulation of the City of Guangzhou

On December 1, 2015, the People’s Government of Guangzhou issued the Measures for Urban Renewal of Guangzhou (廣州市城市更新辦法) which was effective on January 1, 2016. On December 29, 2015, the General Office of People’s Government of Guangzhou issued the *Measures for Old Factories Renewal of Guangzhou* (廣州市舊廠房更新實施辦法). Pursuant to the above regulations, the urban land of old factories which was built or granted the land use right before June 30, 2007, and re-designated from manufacturing industry or which are utilized inefficiently, could be included into the scope of redevelopment if the land of old factories conforms to the following standards: (i) land which was legally obtained through allocation or grant, and conform to registration requirement (including land which has been used before January 1, 1987); (ii) old factories land which has obtained the legal land use right of collective construction land; or (iii) original collective old factories land which has perfected the land grant procedures according to provincial Urban Renewal Policy.

There are three ways to redevelop old factories: procured-and-stored by the government, self-redevelopment and the combination of the two. Old factories land on state-owned construction land which are redeveloped into residential land (excluding indemnificatory housing) should be procured and stored by the government; old factories land on state-owned construction land which are redeveloped into commercial land and are located in some specific areas should be procured and stored by the government, otherwise it could be self-redeveloped by the land owner.

Procedure of self-redevelopment projects is as follows: (i) the land owner should apply to be plotted into the government system (標圖入庫), and apply to be listed into the annual renewal projects implementation plan; (ii) the land owner should compile the redevelopment plan and submit to the government for examination and approval; (iii) the government should issue the approval of redevelopment plan to the owner of the land; (iv) the land owner should go through the procedure of land grant by way of agreement, sign the land grant contract, pay the supplementary land grant premium and change the land owner certificate. The relevant land is not subject to any public auction or listing-for-sale process.

For old factories redevelopment projects procured-and-stored by the government, after the land owner has gained the approval of redevelopment plan, the land owner should sign the land transfer agreement and transfer the old factories land to the government, and cancel the registration of the certificate of the ownership of land; the government should pay the land owner compensation according to the agreement signed and should hold a public auction or listing-for-sale activity to grant the relevant land.

Regulations of the City of Qingyuan

On June 25, 2010, the People's Government of Qingyuan issued the *Implementation Opinion on Promoting the Renewal of "Three Old" and Promoting the Economical and Intensive Use of Land* (關於清遠市推進「三舊」改造促進節約集約用地實施意見) and *Supporting Policies for Implementing the "Three Old" Renewal and Promoting the Economical and Intensive Use of Land* (清遠市區實施「三舊」改造促進節約集約用地若干配套政策). Pursuant to the above regulations, land which could be included into the "three old" renewal are as follows: (i) land of old town and old factories redeveloped under urban planning; (ii) land re-designated from manufacturing industry to tertiary industry; (iii) urban land discontinued to be used as factory sites of manufacturing industries according to urban and rural planning; and (iv) land of factories that do not meet the requirements of safe production or environmental protection.

Ways of redevelopment of old factories include procured-and-stored by the government, self-redevelopment, redeveloped by third parties, and redevelopment for rural collective construction land. Land should be transferred to the government and redeveloped by the government if the land is redeveloped for urban infrastructure and public welfare facilities constructions or for old town redevelopment under urban planning. The land owner will sign the land transfer agreement with the government and cancel the registration of certificate of the ownership of land. The government should pay compensation to the land owner in accordance with the relevant land transfer agreement and should hold a public auction or listing-for-sale activity to grant the relevant land.

The procedure of self-redevelopment by land owner is as follows: (i) the land owner should submit application to the government; (ii) the land owner should compile redevelopment plan and submit to the government; (iii) after the redevelopment plan has been approved by the government, the land owner should go through the procedure of land grant by way of agreement, sign the land grant contract, pay the supplementary land grant premium and change the land owner certificate. The relevant land is not subject to any public auction or listing-for-sale process.

REGULATIONS ON HOTEL OPERATIONS

Currently, no dedicated regulator has been designated for the hotel industry in the PRC. The governmental regulation of operation of hotel business is undertaken by different authorities in accordance with the respective business scopes of different hotels.

Security and Fire Control

Pursuant to Interim Provisions on the Examination and Acceptance of Fire Control and Design of Construction Projects (建設工程消防設計審查驗收管理暫行規定), issued by the MOHURD on April 1, 2020, enforced on June 1, 2020, amended on August 21, 2023 and effective on October 30, 2023, if the gross area of a hotel to be built is more than ten thousand sq.m., the construction unit of the hotel should apply to the Fire Department of the public security authority for fire design review, and after the completion of the construction, the construction unit shall apply to the Fire Department of the public security authority for the issue of a reviewing opinion for acceptance of fire control protection.

INSURANCE

There is no mandatory provision under PRC laws and regulations requiring a property developer to obtain insurance policies for its property developments. Construction companies are required to pay for the insurance premium at their own costs and obtain insurance to cover their liabilities, such as third-party's liability risk, employer's liability risk, risk of non-performance of contract in the course of construction and risks associated with the construction and installation works during the construction period. The requirement for construction companies to obtain insurance coverage for all the aforementioned risks ceases immediately after the completion and acceptance upon inspection of construction.

REGULATIONS ON PROPERTY MANAGEMENT

Enterprises shall engage in property management activities subject to relevant provisions under the Property Management Regulations (物業管理條例) (implemented on September 1, 2003, amended on August 26, 2007 and February 6, 2016 and amended according to the Decision of the State Council on Revising and Repealing Certain Administrative Regulations (國務院關於修改和廢止部分行政法規的決定) on March 19, 2018).

On March 8, 2018, MOHURD issued Order No. 39 Decision Regarding Repealing the Measures on Property Service Enterprises Qualification Management (關於廢止<物業服務企業資質管理辦法>的決定), which repealed the Measures on Property Service Enterprises Qualification Management (物業服務企業資質管理辦法), and currently qualification of property service enterprise is no longer required for providing property service within the PRC.

REGULATIONS ON ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for real estate development in the PRC include the *Prevention and Control of Noise Pollution Law of the PRC* (中華人民共和國噪聲污染防治法) promulgated by SCNPC on December 24, 2021 and became effective on June 5, 2022, the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法) amended by SCNPC on April 24, 2014 and became effective on January 1, 2015, the *Environmental Impact Assessment Law of the PRC* (中華人民共和國環境影響評價法) amended by SCNPC on July 2, 2016 and became effective on September 1, 2016 and was further amended and became effective on December 29, 2018, the *Administrative Regulations on Environmental Protection for Development Projects* (建設項目環境保護管理條例) amended by the State Council on July 16, 2017 and effective on October 1, 2017, and the *Interim Measures of Environmental Protection for Acceptance Examination Upon Completion of Buildings* (建設項目竣工環境保護驗收暫行辦法) promulgated and became effective on November 20, 2017. 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.

REGULATIONS ON TAXATION

Income Tax

According to the *Enterprise Income Tax Law* (企業所得稅法) (the "EIT Law") promulgated by the NPC on March 16, 2007 and amended and entered into force on February 24, 2017 and further amended on December 29, 2018, enterprises that are established in China according to law, or established in accordance with foreign (regional) laws but the actual administrative agency is in China, will be subject to a corporate income tax rate of 25%.

According to the EIT Law and the *Regulations on the Implementation of the Enterprise Income Tax Law* (企業所得稅法實施條例) promulgated by the State Council on December 6, 2007 and became effective on January 1, 2008 and as amended on April 23, 2019, where non-resident enterprises have not established institutions or places in China, or where, despite the establishment of an institution or place, there is no real connection between the income obtained and the establishment of the institution or place, the enterprise income tax shall be levied at the rate of 10% of the income derived from the territory of China.

On March 6, 2009, SAT issued the *Measures Dealing with Enterprise Income Tax on Real Estate Development and Operation* (房地產開發經營業務企業所得稅處理辦法) and amended on June 16, 2014 and June 15, 2018, which stipulates the tax treatment of real estate development enterprise income, cost and expense deduction, tax cost accounting and tax treatment of specific matters.

Pursuant to the *Arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income* (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed by SAT on August 21, 2006, if the beneficial owner of the dividend is a resident of the other party, the tax shall not exceed: (i) if the beneficial owner is a company that directly owns at least 25% of the capital of the company that pays the dividend, 5% of the total dividend; and (ii) in other cases, 10% of the total dividend. According to the *Notice on issues regarding the Administration of Dividend Provisions in Tax Treaties* (關於執行稅收協定股息條款有關問題的通知), which was promulgated by SAT on February 20, 2009, the payee of dividends paid by a Chinese resident company must meet a number of conditions in order to enjoy the preferential income tax rate stipulated in the tax agreement. One of the requirements is that the taxpayer must be the “beneficial owner” of the relevant dividend. Pursuant to the Announcement of the State Administration of Taxation on Issues Concerning “Beneficial Owner” in Tax Treaties (關於稅收協定中“受益所有人”有關問題的公告) promulgated by SAT on February 3, 2018, a “beneficial owner” means a person who owns and has the right to dispose of the income and the rights or property generated from the said income. It also lists out the factors that have a negative impact on the identification of such “beneficial owners”.

Business Tax and Value-added Tax

On November 16, 2011, with the approval of the State Council, SAT and the Ministry of Finance jointly promulgated the *Circular on the Pilot Program of Replacing Business Tax with Value-Added Tax* (營業稅改徵增值稅試點方案). According to the Proposal, in the pilot areas, pilot programs will be carried out in the transportation industry, some modern service industries and other productive service industries. Business taxes will be abolished and value-added tax will be levied. In addition to the current value-added tax 17% standard tax rate and 13% low tax rate, an increase of 11% and 6% in two low tax rates. The tax rate is 17% for leasing tangible movable property, and is 11% for transportation and construction, and is 6% for other modern service industries.

On November 19, 2017, the State Council promulgated the *Decision on Abolition of the Provisional Regulations of the PRC on Business Tax and Amendment of the Provisional Regulations of the PRC on Value-added Tax* (關於廢止中華人民共和國營業稅暫行條例和修改中華人民共和國增值稅暫行條例的決定), which abolished the *Provisional Regulations on Business Tax* (中華人民共和國營業稅暫行條例) and amended the *Provisional Regulations on Value-added Tax* (中華人民共和國增值稅暫行條例), selling goods or processed and providing labor services of processing, repairs or maintenance within the PRC, sales of services, intangible assets, real estate and imported goods shall be subject to value-added tax.

On April 4, 2018, MOF and SAT promulgated the *Notice on the Adjustment of Value-added Tax Rates* (關於調整增值稅稅率的通知) which provided that the tax rate for the provision of transportation, postal services, basic telecommunications, construction, and real estate leasing services, the sales of real estate and the transfer of land use rights will be adjusted from 11% to 10%. Starting from April 1, 2019, the VAT rate for real estate industry has been lowered from 10% to 9%.

Land Appreciation Tax

In accordance with the requirements of the *Provisional Regulations of the PRC on Land Appreciation Tax* (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, implemented on January 1, 1994 and amended on January 8, 2011, and the *Detailed Implementation Rules on the Provisional Regulations of the PRC on Land Appreciation Tax* (中華人民共和國土地增值稅暫行條例實施細則) which were promulgated and implemented by the Ministry of Finance on January 27, 1995, any capital-gain from a transfer of real estate shall be subject to LAT, after deducting various prescribed items. Deductible items include the following:

- (i) amount paid for obtaining the land use rights;
- (ii) costs and expenses for the development of the land;
- (iii) costs and expenses of new buildings and ancillary facilities, or estimated prices of old buildings and constructions;
- (iv) related tax payable for the transfer of real property; and
- (v) other deductible items as specified by MOF.

Deed Tax

Pursuant to the *Interim Regulations of the PRC on Deed Tax* (中華人民共和國契稅暫行條例) promulgated by the State Council on July 7, 1997 and implemented on October 1, 1997 and as amended on March 2, 2019, the transferee, whether an individual or otherwise, of the title to a land site or building in the PRC shall be subject to the payment of deed tax. The rate of deed tax is 3 percent to 5 percent. The governments of provinces, autonomous regions and municipalities directly under the central government may, within the aforesaid range, determine and report their effective tax rates to MOF and SAT for the record.

Pursuant to the Deed Tax Law of the People's Republic of China (中華人民共和國契稅法) promulgated by the Standing Committee of the National People's Congress in August 2020 and implemented on September 1, 2021 has superseded the Interim Regulations of the People's Republic of China on Deed Tax.

Pursuant to the *Notice on Adjustment of Preferential Treatment Policies in respect of Deed Tax and Business Tax on Real Estate Transactions* (關於調整房地產交易環節契稅、營業稅優惠政策的通知) promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016, for an individual purchasing the only residential property for his/her household, the rate of deed tax was adjusted downward to 1% for a property of 90 sq.m. or less and to 1.5% for a property of more than 90 sq.m. For an individual purchasing the second residential property for his/her household to improve the living conditions, the rate of deed tax was reduced to 1% for a property of 90 sq.m. or less and to 2% for a property of more than 90 sq.m.

Urban Land Use Tax

Pursuant to the *Provisional Regulations of the People's Republic of China Governing Land Use Tax in Urban Areas* (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, implemented on November 1, 1988 and amended on December 7, 2013 and on March 2, 2019, land use tax in respect of urban land is levied according to the area of relevant land, the annual tax on every square meter of urban land shall be between RMB0.6 and RMB30 per square meter of urban land.

Property Tax

In accordance with the *Provisional Rules on Real Estate Tax of the PRC* (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986, implemented on October 1, 1986 and amended on January 8, 2011 and the *State Council of the PRC Order 546* (中華人民共和國國務院令2008第546號) promulgated by the State Council on December 31, 2008, property owners (including foreign-invested enterprises, foreign enterprises and organizations, and foreign individuals) shall pay property tax. The tax rate of property tax shall be calculated according to the residual value of the property, and the tax rate shall be 1.2%. The tax rate is 12% if it is calculated on the basis of the rental income of the property.

On October 23, 2021, the Standing Committee of the NPC promulgated the Decision of Authorizing the State Council to Pilot Property Tax Reforms in Certain Regions (全國人大常委會關於授權國務院在部分地區開展房地產稅改革試點工作的決定). Property tax should be levied on all types of residential and non-residential property in pilot areas, while lawfully-owned rural homesteads and houses built on them are excluded. The State Council and related departments as well as local governments need to create scientific and feasible approaches and procedures for tax collection and management.

Stamp Duty

Under the Stamp Tax Law of the PRC (中華人民共和國印花稅法) promulgated by the SCNPC on June 10, 2021 and became effective on July 1, 2022, for real estate transfer instruments, including those in respect of real estate ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein.

Municipal Maintenance Tax and Education Surcharge

Under the Law of the People's Republic of China on Urban Maintenance and Construction Tax (《中華人民共和國城市維護建設稅法》) promulgated by the SCNC on August 11, 2020 and effective from September 1, 2021, taxpayer, whether an individual or otherwise, of product tax and value-added tax are required to pay municipal maintenance tax. The tax rate is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town.

Under the *Interim Provisions on Imposition of Education Surcharge* (徵收教育費附加的暫行規定) promulgated by the State Council on April 28, 1986, implemented on July 1, 1986 and amended on January 8, 2011, any taxpayer, whether an individual or otherwise, of value-added tax, business tax or consumption tax is liable for an education surcharge, unless such taxpayer is required to pay a rural area education surcharge as provided by the *Notice of the State Council on Raising Funds for Schools in Rural Areas* (國務院關於籌措農村學校辦學經費的通知). The additional rate of education surcharge is 3%. Under the Municipal Maintenance Tax Law of the People's Republic of China (中華人民共和國城市維護建設稅法) promulgated by Standing Committee of the National People's Congress in August 11, 2020, implemented on September 1, 2021, has superseded the Interim Regulations of the People's Republic of China on Municipal Maintenance Tax.

REGULATIONS ON FOREIGN EXCHANGE

Under the *Foreign Exchange Administration Regulations of the PRC* (中華人民共和國外匯管理條例) promulgated by the State Council on January 29, 1996 and amended on August 5, 2008, the foreign exchange proceeds of domestic institutions and individuals may be transferred back to China or deposited abroad. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to the relevant rules and regulations of the State. For foreign exchange proceeds under the capital accounts, approval from SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the rules and regulations of the State.

According to the *Notice on Relevant Issues Concerning Foreign Exchange Administration of Offshore Investment, Financing and Return Investments by Domestic Residents through Special Purpose Vehicles* (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) issued by SAFE on July 4, 2014, before making capital contributions to a special purpose company with domestic or foreign legal assets or rights, residents shall apply to the foreign exchange administration for foreign exchange registration procedures for overseas investment. After a registered overseas special purpose company has undergone changes in basic information such as shareholders, names, and business terms, or changes in important matters such as capital increase, capital reduction, equity transfer or replacement, merger or division of domestic residents, residents should handle the relevant foreign exchange registration procedures at the foreign exchange bureau.

According to the *Notice on the Reform of the Administration of Foreign Exchange Capital Settlement for Foreign-Invested Enterprises* (關於改革外商投資企業外匯資本金結匯管理方式的通知) issued by SAFE on March 30, 2015, effective on June 1, 2015 and amended on December 30, 2019 and March 23, 2023, respectively, the foreign exchange capital in the capital account of a foreign-invested enterprise that is confirmed by the foreign exchange bureau for currency investment rights (or registered by the bank for currency investment) may be settled at the bank according to the actual operating needs of the enterprise. The proportion of foreign exchange capital of foreign-invested enterprises willing to settle foreign exchange is tentatively set at 100%. The SAFE may adjust the above ratio according to the balance of payments situation in a timely manner.

On October 23, 2019, SAFE issued the Circular to Further Promote Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) to further ease cross-border trade and investment, such as canceling restrictions on the use of foreign exchange settlement in domestic asset transaction accounts and allowing foreign non-investment enterprises to carry out domestic equity investment provided that such investment will not violate applicable special administrative measures (negative list) for foreign investment access and the projects to be invested shall be authentic and legitimate.

REGULATIONS ON LABOR AND SOCIAL SECURITY

On June 29, 2007, SCNPC promulgated the *PRC Labor Contract Law* (中華人民共和國勞動合同法), which became effective on January 1, 2008 and amended on December 28, 2012. Pursuant to it, the employing unit shall conclude a written labor contract with the employee. The employing unit shall, in accordance with the labor contract and the provisions of the State, pay the employees their remuneration in full and on time. The employing unit may not force a worker to work overtime or in disguised form, when the employing unit arranges overtime work, it shall pay overtime to the employee in accordance with the relevant regulations of the State. In addition, according to the relevant laws and regulations of social security, the employer should pay a number of social insurance (including medical treatment, old-age pension, unemployment, industrial injury and maternity insurance) and housing provident fund for its employees.

Pursuant to the *Social Insurance Law of the PRC* (中華人民共和國社會保險法) promulgated by SCNPC on November 28, 2010 and implemented on July 1, 2011, and amended on December 29, 2018, the *Interim Regulations Concerning the Collection and Payment of Social Insurance Premium* (社會保險費徵繳暫行條例) promulgated and implemented on January 22, 1999 by the State Council and amended on March 24, 2019, the *Interim Measures Concerning the Maternity Insurance of Employees of an Enterprise* (企業職工生育保險試行辦法) promulgated on December 14, 1994 and implemented on January 1, 1995 by the former Ministry of Labor, the *Regulation on the Administration of Housing Provident Fund* (住房公積金管理條例) promulgated and implemented on April 3, 1999 and amended on March 24, 2002 by the State Council and amended on March 24, 2019, the *Regulation on Occupational Injury Insurances* (工傷保險條例) promulgated on April 27, 2003 by the State Council and implemented on January 1, 2004 and amended on December 20, 2010 by the State Council, and regulations on pension insurance, medical insurance and unemployment insurance in the provincial and municipal level, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational injury insurance fund, maternity insurance fund and housing fund for the employees. While an employer fails to pay social insurance premiums on time or in full amount, it will be ordered by the collection agency of social insurance premiums to pay or make up the deficit of premiums within a prescribed time limit, and a daily overdue fee at the rate of 0.05% of the outstanding amount from the due date will be imposed; and if it still fails to pay the premiums within the prescribed time limit, a fine of one to three times the outstanding amount might be imposed by the relevant administrative department.

MANAGEMENT

GENERAL

Our board is responsible and has general powers for the management and conduct of our business. The following table sets out certain information in respect of our directors:

Name	Age	Position
Mr. CHAN Sze Ming Michael (陳思銘)	34	Executive Director and chairman
Mr. LIU Huaxi (劉華錫)	48	Executive Director and vice chairman
Ms. ZHENG Catherine Wei Hong (alias 鄭紅)....	55	Executive Director and president
Mr. WU Xinping (吳新平).....	58	Executive Director and vice president
Ms. WEI Miaochang (韋妙嫦)	54	Executive Director and general manager of finance center
Mr. MA Ching Nam (馬清楠).....	70	Independent non-executive Director
Mr. LEONG Chong (梁翔)	57	Independent non-executive Director
Mr. WU William Wai Leung (胡偉亮).....	56	Independent non-executive Director

DIRECTORS

Our Board consists of eight Directors, including five Executive Directors and three Independent Non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business.

Executive Directors

Mr. CHAN Sze Ming Michael (陳思銘), aged 34, was appointed as a Director on November 2, 2018 and was redesignated as an executive Director and chairman of our Company on November 13, 2019. Mr. Michael Chan founded our Group in December 2013. He is primarily responsible for formulating development strategies of our Group, establishing overall business, operation and management directions and project investment strategies, managing design center, marketing center, finance center, audit and supervision center, human resources and administration center and operation center of our Group. He reports to the Board as a whole, and chairs the monthly and quarterly meetings with other Executive Directors and senior management of our Group.

Mr. Michael Chan obtained a Bachelor of Commerce (major in Finance) in July 2011 from Griffith University in Australia. After graduation, he founded our Group in 2013, and has since then obtained over nine years of experience in the real estate development industry. Mr. Michael Chan was awarded “Real Estate Innovator in 2018” (「2018年度地產創新人物」) by China Times (《華夏時報》), and “New China’s Real Estate Leader of the Year” (「中國房地產年度新領軍人物」) by China International Real Estate & Architectural Technology Fair (CIHAF) (中國國際房地產與建築科技展覽會) in 2019.

Mr. LIU Huaxi (劉華錫), aged 48, was appointed as a Director on May 24, 2019 and was redesignated as an executive Director and vice chairman of our Company on November 13, 2019. Mr. Liu joined our Group in May 2019. He is primarily responsible for managing investment center, cost center, procurement center of our Group, and our Subsidiaries in Hong Kong. He reports to the Board as a whole, and attends the monthly and quarterly meetings with other executive Directors and senior management of our Group. He is also a legal representative of Zhongshan Yueheng. He is a member of our remuneration committee and nomination committee. He holds 50% interest in Zhongshan Yuelai which in turn owns 5% interest in Zhongshan Jingyue, our Subsidiary.

Before joining our Group, Mr. Liu has worked in Agile Group Holdings Limited (雅居樂集團控股有限公司) since 1995. He was responsible for project operation and development, hotel business, property management, administration and human resources management, capital market operation and management of Agile Foundation. He left as the vice president of Agile Group Holdings Limited (雅居樂集團控股有限公司), and chairman of Agile Foundation (廣東省雅居樂公益基金會) in 2014. From August 2014 to April 2019, he has worked in Zhongshan Yuelai as the vice chairman and executive president. He was responsible for the overall management of the company. C&L International Holdings Pty Ltd, a company where Mr. Liu held 30% shareholding, completed the real estate project of Royal Como – 663-667 Chapel Street, South Yarra, Melbourne in Australia in 2018. He has over 27 years of experience in real estate development industry and senior management.

Mr. Liu graduated from Hohai University (河海大學) in the PRC in July 1995 majoring in Industrial Enterprise Management. He was named “Person of the Year” (年度影響力風雲人物) for 2015-2016 Zhongshan Zhuhai Jiangmen Real Estate Overall Rating (中珠江樓市總評榜) by Sohu and www.focus.cn in 2016.

Ms. ZHENG Catherine Wei Hong (alias 鄭紅) (previously known as Zheng Weihong, 鄭衛紅), aged 55, was appointed as a Director on November 2, 2018 and was redesignated as an executive Director of our Company on November 13, 2019. Ms. Catherine Zheng joined our Group in March 2014, and is now the president of our Group. She is primarily responsible for managing our Subsidiaries operating property management and hotel operations business. She reports to the Board as a whole, and attends the monthly and quarterly meetings with other executive Directors and senior management of our Group. She is also a director or legal representative of a number of our Subsidiaries.

Before joining our Group, Ms. Catherine Zheng has worked in Agile Property Land Co., Ltd. (雅居樂地產置業有限公司) as the assistant to president from 2001 to 2010, and in Guangzhou Panyu Agile Real Estate Development Co., Ltd. (廣州番禺雅居樂房地產開發有限公司) as the general manager from 2010 to 2014. She was responsible for formulating medium-term to long-term development plan and regular operation plans based on the overall development plan of the company, managing the real estate projects, supervising on accomplishment of the operation targets and plans of the company and participating in marketing activities. Ms. Catherine has over 21 years of experience in the real estate development industry and senior management.

Ms. Catherine Zheng obtained a Master of Business Administration with Distinction in May 2001 from The University of Western Sydney in Australia. Ms. Catherine Zheng was awarded “Outstanding Female Entrepreneur of Guangdong Province” (廣東省優秀女企業家) by Guangdong Female Entrepreneur Association (廣東省女企業家協會) in May 2013 and she became the vice president of the Council Committee of Guangzhou Female Entrepreneur Association (廣州市女企業家協會) since January 2012.

She has been the vice president of the 8th Council Committee of Guangzhou Panyu Nancun General Chamber (廣州市番禺區南村總商會) since June 2016.

Mr. WU Xinping (吳新平), aged 58, was appointed as a Director on November 2, 2018 and was redesignated as an executive Director of our Company on November 13, 2019. Mr. Wu joined our Group in March 2017, and is now the vice president of our Group. He is primarily responsible for managing engineering center of our Group, Guangzhou Hongchuang and Guangzhou Chuangyi. He reports to the Board as a whole, and attends the monthly and quarterly meetings with other executive Directors and senior management of our Group. He is also a director or legal representative of a number of our Subsidiaries.

Before joining our Group, Mr. Wu has worked in Agile Property Land Co., Ltd. (雅居樂地產置業有限公司) as the general manager of the Engineering Center from 1999 to 2017. He was responsible for formulating medium-term to long-term development plan and regular operation plans based on the overall development plan of the company, supervising the real estate projects, and controlling the costs of the company. Mr. Wu has over 23 years of experience in the real estate development industry and senior management.

Mr. Wu graduated from Yangzhou University (揚州大學) in the PRC in October 1998 majoring in Economics Management. He received his license as a senior engineer from the Human Resources Bureau of Nantong City (南通市人事局) in the PRC in July 2003. He was also a member of the Chartered Institute of Building in March 2011.

Ms. WEI Miaochang (韋妙嫦), aged 54, was appointed as a Director on May 24, 2019 and was redesignated as an executive Director of our Company on November 13, 2019. Ms. Wei joined our Group in July 2014. She is now the vice president of our Group and the general manager of finance center of our Group. She is primarily responsible for overseeing financial management of our Group, including profit forecast and analysis and taxation management. She reports to the Board as a whole, and attends the monthly and quarterly meetings with other executive Directors and senior management of our Group.

Before joining our Group, Ms. Wei has worked in certain group companies of Agile Group Holdings Limited as (i) the finance manager from 1998 to 2006 where she was responsible for the financial management work, and (ii) the manager of audit and supervision center from 2006 to 2014 where she was responsible for the audit supervision work of the group. Ms. Wei has over 24 years of experience in financial management, audit and senior management.

Ms. Wei graduated from University of Electronic Science and Technology of China in the PRC, majoring in Financial Management learning online in June 2013. She received the certificate of accounting (intermediate) in the PRC issued by the Ministry of Human Resources and Social Security and Ministry of Finance of the People's Republic of China in December 2008. She was further designated as certified internal auditor by The Institute of Internal Auditors in November 2012.

Ms. Wei was an executive director and legal representative of Shanghai Mingri Doors & Windows Manufacturing Co., Ltd. (上海明日門窗製造有限公司) which was established in the PRC with its business license revoked in 2003. Ms. Wei confirmed that the company was solvent at the time of the revocation of its business license.

Independent non-executive Directors

Mr. MA Ching Nam, CStJ, J.P. (馬清楠), aged 70, was appointed as an independent non-executive Director on November 13, 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Ma is the chairman of our nomination committee, and member of our audit committee and remuneration committee.

Mr. Ma obtained a degree of Bachelor of Science in Economics with honors from The University of Hull in July 1977. He was admitted as a solicitor in England and Wales, Hong Kong, Victoria (Australia) and Singapore in 1981, 1982, 1985 and 1990, respectively. He is also a Notary Public, China Appointed Attesting Officer and Civil Celebrant of Marriages. Mr. Ma has been practicing law for well more than 40 years.

He is currently a partner of Hastings & Co, Solicitors & Notaries. Mr. Ma currently serves as director of Tai Sang Bank Limited, Heptacontinental group of companies, Ma Kam Ming Company Limited, Ma's Enterprises Company Limited and Ma Kam Ming Charitable Foundation. He is also the independent non-executive director of EC Healthcare (formerly known as Union Medical Healthcare Limited) (2138.HK). Mr. Ma retired as the independent non-executive director of Time Watch Investments Limited (2033.HK) on November 24, 2022.

Mr. Ma was the President of the Hong Kong Society of Notaries (2007-2013). He was Chairman of Po Leung Kuk (2019-2020) and now Advisor of Po Leung Kuk Advisory Board (2020-present). He was appointed a member of Political and Consultative Conference in Hunan Province, the People's Republic of China (2003-2017). He is a visiting professor of the China Agricultural University.

Mr. LEONG Chong (梁翔), aged 57, was appointed as an independent non-executive Director on November 13, 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Leong is the chairman of our remuneration committee, and member of our audit committee and nomination committee.

Before joining our Group, Mr. Leong worked as (i) construction analyst of the research department in Carr Indosuez Asia Group from 1994 to 1995, (ii) research analyst in ING Baring Securities (Hong Kong) Limited from 1995 to 1997, (iii) analyst and vice president in the equity research division of Morgan Stanley Dean Witter Asia Limited from 1997 to 2000, (iv) director in equity research department of Credit Suisse First Boston (Hong Kong) Limited from 2000 to 2001. Then, he joined Morgan Stanley Dean Witter Asia Limited (摩根士丹利添惠亞洲有限公司) and worked in the Morgan Stanley group of companies from 2002 to 2015.

Mr. Leong obtained the degree of Bachelor of Arts with a major in Computer Science in December 1990 by University of California, Berkeley.

Mr. WU William Wai Leung (胡偉亮), aged 56, was appointed as an independent non-executive Director on November 13, 2019. He is responsible for providing independent judgment on the Group's strategies, performance, resources and standard of conduct. Mr. Wu is the chairman of our audit committee, member of our remuneration committee and nomination committee.

Before joining our Group, Mr. Wu worked as (i) analyst and then associate in the corporate finance department of Marleau, Lemire Securities Inc., Canada from 1993 to 1995, (ii) business analyst of Salomon Brothers Hong Kong Limited from 1995 to 1996, (iii) assistant manager in the corporate finance division of Schroders Asia Limited from 1996 to 1998, (iv) manager and then senior manager from 1998 to 1999 in the equity capital markets department of BNP Equities Hong Kong Limited, (v) director of E2-Capital Limited and E2-Capital (HK) Limited from 1999 to 2001, and then head of equity capital markets and joint head of corporate finance of SBI E2-Capital Limited (joint venture between Softbank Investment and E2-Capital Group) from 2001 to 2002, (vi) employee of Sunwah Kingsway Capital Holdings Limited (188.HK) (previously known as SW Kingsway Capital Holdings Limited) from 2002 to 2011, with the titles of executive director and chief executive officer from 2006 to 2010 and strategy consultant from 2010 to 2011, (vii) chief executive officer of RHB Hong Kong Limited from 2011 to 2017, (viii) executive director and chief executive officer of Power Financial Group Limited (397.HK) from 2017 to 2019 and (ix) managing director of investment banking at Glory Sun Securities Limited (previously known as China Goldjoy Securities Limited) (an indirect subsidiary of China Goldjoy Group Limited (1282.HK)). He also became a responsible officer for asset management (type 9) in April 2019 and a responsible officer for advising on corporate finance (type 6) in May 2019. Currently, he is also an independent non-executive director of Asia Allied Infrastructure Holdings Limited (711.HK) since 2015. He is also an independent director of Document Security Systems (DSS-NYSE-Amer) since 2019 Alset Ehome International Inc. (NASDAQ: AEI) (formerly HF Enterprises Inc. (NASDAQ: HFEN)) since 2020 and Alset Capital Acquisition Corp. Unit (NASDAQ: ACAXU) since 2022. He is also the director of Hong Kong – ASEAN Economic Cooperation Foundation Limited and Monte Jade Science and Technology Association of Hong Kong Limited. Mr. Wu has over 29 years of experience in financial industry and senior management.

Mr. Wu graduated from Simon Fraser University, Vancouver, BC, Canada with a degree of Bachelor in Business Administration in October 1990, and a degree of Master in Business Administration in June 1993. He became the chartered financial analyst designated by The Institute of Chartered Financial Analysts in September 1996.

Mr. Wu has been a member of Guangxi Zhuang Autonomous Region Committee of the Chinese People's Political Consultative Conference from 2013 to 2022. He is also the life chairman of HK Guangxi Chamber of Commerce Limited and Honorary Chairman of Islands Community Foundation Association.

SENIOR MANAGEMENT

The table below sets forth information regarding our senior management.

Name	Age	Position
Ms. TAN Yuxing (譚玉杏).....	48	Vice president
Mr. LAN Chiyuan (藍熾源).....	44	Vice president
Mr. LIU Huaqiang (劉華強).....	43	Financial controller
Ms. WAI Ching Sum (衛靜心).....	55	Deputy general manager and company secretary

Ms. TAN Yuxing (譚玉杏), aged 48, is the vice president of our Group. She joined our Group in April 2014. She is primarily responsible for managing the subsidiaries and associated companies of our Group. She reports to the Board, and attends the monthly and quarterly meetings with the executive Directors and other senior management of our Group.

Before joining our Group, Ms. Tan worked in Agile Group Holdings Limited as (i) the secretary to the head of real estate management center from 2000 to 2004, (ii) the supervisor of the Panyu project contract cost department where she was responsible for monitoring the project costs and budgets from 2004 to 2006, and (iii) the secretary and assistant to the vice chairman from 2006 to 2014 where she assisted the vice chairman in managing the projects in the PRC. She has over 22 years of experience in management of real estate projects and senior management.

Ms. Tan graduated from Zhongyang Guangbo Dianshi University (中央廣播電視大學) (currently known as The Open University of China) in the PRC in January 2008 majoring in Law. She further received the certificate of assistant engineer in the PRC issued by Human Resources and Social Security Department of Guangdong Province in the PRC in December 2010.

Mr. LAN Chiyuan (藍熾源), aged 44, is the vice president of our Group. He joined our Group in May 2014. He is primarily responsible for managing design center of our Group. He reports to the Board, and attends the monthly and quarterly meetings with the executive Directors and other senior management of our Group.

Before joining our Group, Mr. Lan first worked as the chief designer in Foshan Jianyi Jianzhu Design Institute Co., Ltd. (佛山市建藝建築設計院有限公司) from 2001 to 2007. He then worked as the assistant to general manager and head of Foshan branch of Guangdong Yuejian Design & Research Institute Co., Ltd. (廣東粵建設計研究院有限公司佛山分公司) from 2007 to 2010. He then worked as manager in the design department of Agile Group Holdings Limited (3383.HK) from 2010 to 2014. He was responsible for the technical guidance design management work and daily management of the department. Mr. Lan graduated from Guangzhou University in July 2001 majoring in Building Construction. He further received the certificate of architectural design engineer (intermediate) in the PRC issued by the Ministry of Human Resources of Meizhou City of the PRC in February 2009.

Mr. LIU Huaqiang (劉華強), aged 43, is the financial controller of our Group. He joined our Group in April 2018. He is primarily responsible for financial management, financing and investor relations of our Group. He reports to Mr. Liu Huaxi, and attends the monthly and quarterly meetings with the executive Directors and other senior management of our Group.

Before joining our Group, Mr. Liu worked in PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. Guangzhou Branch for nine years. He left the firm as senior manager in the audit department in 2011. From 2011 to 2014, he was the general manager of the financial planning management department of Sino-Singapore Tianjin Eco-City Investment and Development Co., Ltd. (中新天津生態城投資開發有限公司), the master developer of the Tianjin Eco-City, the PRC. He was responsible for financial management and analytical work. He then worked as the assistant to general manager and the financial controller in Huafa Industrial (HK) Limited, a company engaging in real estate development, leasing and investment from 2014 to 2018. Mr. Liu has over 20 years of experience in finance and senior management.

Mr. Liu obtained a Bachelor of Management in Accounting (minor in Computer Science and Application) in Sun Yat-Sen University in June 2002, a Master of Business Administration in November 2016 from The University of Hong Kong. He was a certified public accountant by The Guangdong Institute of Certified Public Accountants in September 2006.

Ms. WAI Ching Sum (衛靜心), aged 55, is the deputy general manager and company secretary of our Group. She joined our Group in August 2017. Ms. Wai is primarily responsible for corporate governance and corporate affairs of our Group. She reports to Mr. Liu Huaxi, and attends the monthly and quarterly meetings with the executive Directors and other senior management of our Group.

Before joining our Group, Ms. Wai worked in various group companies of UDL Management Limited from 1996 to 1999. She left the group as the company secretary. She then worked as the company secretary of (i) COSCO International Holdings Limited (currently known as COSCO SHIPPING International (Hong Kong) Co., Ltd.) (517.HK) from 1999 to 2005 and (ii) Agile Property Holdings Limited (currently known as Agile Group Holdings Limited) (3383.HK) from 2005 to 2014. Ms. Wai was an executive director and the financial director of Sumpo Food Holdings Limited (currently known as Leyou Technologies Holdings Limited) (1089.HK) from 2014 to 2015. From 2015 to 2017, she was the company secretary of Pacific Century Group Holdings (HK) Limited, an investment management company. Ms. Wai has over 26 years of experience in senior management and provision of company secretarial services to private and listed companies.

Ms. Wai obtained a Master of Science in Financial Economics, through long distance learning, in December 1997 from University of London, the United Kingdom, and a Master of Laws in Chinese Comparative Law in November 2002 from the City University of Hong Kong. She was admitted as a fellow member of The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators (currently known as The Hong Kong Chartered Governance Institute) in June 2002.

COMPANY SECRETARY

Ms. WAI Ching Sum (衛靜心), aged 55, was appointed as our company secretary on November 2, 2018. She is responsible for corporate governance and corporate affairs of our Group.

BOARD COMMITTEES

Audit Committee

Our audit committee comprises three independent non-executive Directors, namely, Mr. Ma Ching Nam, Mr. Leong Chong and Mr. Wu William Wai Leung. Mr. Wu William Wai Leung is the chairman of our audit committee.

Remuneration Committee

Our remuneration committee comprises Mr. Liu Huaxi and three independent non-executive Directors, namely, Mr. Ma Ching Nam, Mr. Leong Chong and Mr. Wu William Wai Leung. Mr. Leong Chong is the chairman of our remuneration committee.

Nomination Committee

Our nomination committee comprises Mr. Liu Huaxi and three independent non-executive Directors, namely, Mr. Ma Ching Nam, Mr. Leong Chong and Mr. Wu William Wai Leung. Mr. Ma Ching Nam is the chairman of our nomination committee.

COMPENSATION OF DIRECTORS

The aggregate amount of remuneration our directors have received (including fees, salaries, allowances and other benefits in kind, performance-related bonuses, pension scheme contribution and social welfare) in 2020, 2021 and 2022 and the six months ended June 30, 2023 was approximately RMB31.5 million, RMB14.7 million, RMB6.5 million (US\$0.9 million) and RMB2.9 million (US\$0.4 million), respectively.

SHARE OPTION SCHEME

In order to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group, we adopted the share option scheme conditionally adopted pursuant to the written resolutions passed by our shareholders on November 13, 2019.

PRINCIPAL SHAREHOLDERS

As of the date of this exchange offer memorandum, the following persons had interests or short positions in the Shares or underlying Shares which were recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance:

Name of Share holder	Nature of Interest	Number of ordinary shares held or interest in the Company	Approximate percentage of shareholding ⁽¹⁾
Mr. Chan Sze Ming Michael	Founder of a discretionary trust ⁽²⁾	1,200,000,000	72.9%
IQ EQ (BVI) Limited.....	Trustee of a discretionary trust ⁽²⁾	1,200,000,000	72.9%
Sze Ming Limited.....	Beneficial owner ⁽²⁾	1,200,000,000	72.9%
Ms. Shum Wing Yin.....	Interest of spouse ⁽³⁾	1,200,000,000	72.9%

Notes:

- (1) The calculation is based on the total number of issued ordinary shares of 1,646,173,000 shares of the Company as of June 30, 2023.
- (2) These Shares are held by Sze Ming Limited. The entire issued capital of Sze Ming Limited is held by IQ EQ (BVI) Limited as trustee of Chan S. M. Michael Family Trust, a discretionary trust with Mr. Chan Sze Ming Michael as settlor and protector and established in accordance with the laws of the BVI. There are certain discretionary beneficiaries including Mr. Chan Sze Ming Michael, his parents, his siblings and his descendants. Mr. Chan Sze Ming Michael is taken to be interested in these Shares held by Sze Ming Limited pursuant to the SFO.
- (3) Ms. Shum Wing Yin is the spouse of Mr. Chan Sze Ming Michael, and is deemed to be interested in the Shares which are interested by Mr. Michael Chan under the SFO.

Save as disclosed above, as of the date of this exchange offer memorandum, our Company had not been notified by any persons who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept 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.

MAJOR RELATED PARTY TRANSACTIONS

The following table sets forth certain material transactions between us and our related parties for the periods indicated:

	Year ended December 31,				Six months ended June 30,		
	2020	2021	2022		2022	2023	
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
				(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
				(In thousands)			
Provision of guarantee in respect of borrowings outstanding	1,255,106	1,278,553	1,098,376	151,473	1,133,764	1,066,871	147,128
Rendering of property management services ...	1,694	1,959	2,679	369	789	-	-
Rendering of management consultancy services	5,476	8,392	8,783	1,211	8,652	-	-
Providing guarantees for borrowings							
– Zhongshan Jingyue	422,500	387,500	361,875	49,905	387,500	358,000	49,370
Providing guarantees for borrowings							
– Guangzhou Zhujing	-	-	310,700	42,847	-	302,880	41,769
Rendering of decoration services							
– Donghuzhou	45,872	12,435	2,030	280	-	-	-
Rendering of interest income							
– Guangzhou Zhujing	-	-	11,507	1,587	-	8,128	1,121
Property management service fee charged by							
– Nanjing Longguang	-	-	2,191	302	1,304	327	45
Key management compensation							
Salaries and other employee benefits	31,410	13,469	9,286	1,281	5,227	4,843	668
Pension costs	53	101	99	14	27	25	3
Fees	-	1,131	1,063	147	-	-	-

DESCRIPTION OF OTHER MATERIAL INDEBTEDNESS

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 June 30, 2023, our total outstanding bank and other borrowings amounted to RMB3,470.7 million (US\$478.6 million). Since June 30, 2023, we have incurred no additional indebtedness. 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. Except as otherwise disclosed in this exchange offer memorandum, there has been no material adverse change in our capitalization since June 30, 2023. Set forth below is a summary of the material terms and conditions of these loans and other indebtedness.

PROJECT LOAN AGREEMENTS

Certain of our PRC subsidiaries have entered into loan agreements with various PRC banks and financial limited companies, including, but not limited to Industrial and Commercial Bank of China, China Construction Bank and Bank of China. These loans are typically project loans to finance the construction of our projects (the “project loans”) and have terms ranging from three to ten years, which generally correspond to the construction periods of the particular projects. As of June 30, 2023, the aggregate outstanding amount under these project loans totaled approximately RMB1,467.1 million (US\$202.3 million). Our project loans are typically secured by land use rights and properties as well as guaranteed by our Company and certain of our PRC subsidiaries.

Interest

The principal amounts outstanding under the project loans generally bear interest at 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 annually. Interest payments are payable either monthly or quarterly and must be made on each payment date as provided in the particular loan agreement. For the six months ended June 30, 2023, the weighted average interest rate on the aggregate outstanding amount of our project loans was 5.90% per annum. Our weighted average effective interest rate represents actual finance cost incurred during the year or period divided by weighted average borrowings that were outstanding during the year or period.

Covenants

Under these project loans, many of our subsidiary borrowers have agreed, among other things, not to take the following actions without first obtaining the lenders’ prior consent:

- create encumbrances on any part of their property or assets or deal with their assets in a way that may adversely affect their ability to repay the loans;
- grant guarantees to any third parties that may adversely affect their ability to repay the loans;
- make any major changes to their corporate structures, such as entering into joint ventures, mergers and acquisitions and reorganizations;
- make any major change to the company’s status, such as liquidation, dissolution and reduction of its registered capital;
- alter the nature or scope of their business operations in any material respect;
- incur additional debts that may adversely affect their ability to repay the loans;
- prepay the loans; and
- transfer part or all of their liabilities under the loans to a third party.

Events of Default

The project 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 financial institutions are entitled to terminate their respective agreements and/or demand immediate repayment of the loans and any accrued interest upon the occurrence of an event of default.

Guarantee and Security

Our Company and certain of our PRC subsidiaries have entered into guarantee agreements with the PRC financial institutions in connection with some of the project loans pursuant to which these subsidiaries have guaranteed all liabilities of the subsidiary borrowers under these project loans. Further, as of June 30, 2023, RMB1,467.1 million (US\$202.3 million) of the project loans were secured by land use rights and/or other assets and properties of the subsidiary borrowers and/or our other PRC subsidiaries, including house properties and/or equity interests in certain of our PRC subsidiaries.

Dividend Restrictions

Pursuant to the project loans with certain PRC financial institutions, some of our PRC subsidiaries also agreed not to distribute any dividend, including, but not limited to:

- if the borrower has any amount of principal and interest of the relevant project loan payable that is outstanding at maturity (including those declared immediately due);
- if the borrower is unable to repay principal and interest in accordance with the relevant repayment schedule;
- if the borrower's profit before tax is insufficient to repay relevant project loans after final accounting of the accounting period;
- before the principal amount of and accrued interest on the relevant project loan have been fully paid; or
- before any principal amount of and accrued interest on the relevant project loan due within the period have been fully paid.

OFFSHORE BORROWINGS

We, as borrower, entered into facility agreements with offshore banks from time to time. On December 29, 2022, we as the borrower, Hang Seng Bank Limited as the facility agent and mandated lead arranger and certain other financial institutional as lenders, entered into a facility agreement in the aggregate principal amount of HK\$517,470,000 for a term of 36 months (the "Hang Seng Bank Facility"). The Hang Seng Bank Facility bears a floating interest rate at 4.1% per annum over HIBOR and is secured by, among others, shares of Jingye Holdings Limited (景業控股有限公司), Jingye Holdings (HK) Limited and Golden United Development Limited. As of the date of this exchange offer memorandum, we have an outstanding principal amount of HK\$491.6 million under this Hang Seng Bank Facility.

SENIOR NOTES

Existing Notes

On January 12, 2023, we entered into an indenture (as amended or supplemented from time to time, the "Existing Notes Indenture"). Pursuant to the Existing Notes Indenture, we issued an aggregate principal amount of US\$152,100,000 of the Existing Notes on January 12, 2023. The Existing Notes are listed on the Hong Kong Stock Exchange. As of the date of this exchange offer memorandum, a total of US\$152,100,000 principal amount of the Existing Notes is outstanding.

Guarantee

The obligations pursuant to the Existing Notes are guaranteed by our existing subsidiaries (the "Existing Notes Subsidiary Guarantors") other than (i) those organized under the laws of the PRC and (ii) certain other subsidiaries specified in the Existing Notes Indenture. Each of the Existing Notes Subsidiary Guarantors, jointly and severally, guarantees the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Existing Notes.

Interest

The Existing Notes bear an interest rate of 9.5% per annum, payable semi-annually in arrears.

Covenants

Subject to certain conditions and exceptions, the Existing Notes Indenture and each of the relevant subsidiary guarantees contain certain covenants, restricting us and each of the relevant restricted subsidiaries from, among other things:

- incurring additional indebtedness and issuing disqualified or preferred stock;
- making investments, dividend payments or other specified restricted payments;
- issuing or selling shares or capital stock of Restricted Subsidiaries;
- guaranteeing indebtedness of Restricted Subsidiaries;
- selling assets;
- creating liens;
- entering into sale and leaseback transactions;
- engaging in any business other than permitted business;
- entering into agreements that restrict the Restricted Subsidiaries ability to pay dividends, transfer assets or make intercompany loans;
- entering into transactions with shareholders or affiliates; and
- effecting a consolidation or merger.

Events of Default

The Existing Notes Indenture contains certain customary events of default, including default in the payment of principal of (or any premium (if any) on) the Existing Notes when such payments become due, default in payment of interest which continues for 30 days and other events of default. If an event of default occurs and is continuing, the trustee under the Existing Notes Indenture or the holders of at least 25% of the outstanding Existing Notes may declare the principal of the Existing Notes plus a premium (if any) and any accrued and unpaid interest to be immediately due and payable.

Change of Control Triggering Event

Upon the occurrence of certain events of change of control and a rating decline, we are required to make an offer to repurchase all outstanding Existing Notes at a purchase price equal to 101% of their principal amount plus any accrued and unpaid interest.

Maturity and Redemption

The maturity date of the Existing Notes is January 11, 2024.

At any time and from time to time, we may, at our 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 and accrued and unpaid interest, if any, to (but not including) the redemption date.

DESCRIPTION OF THE NEW NOTES

For purposes of this “Description of the New Notes,” the term “Company” refers only to JY Grandmark Holdings Limited, 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 New 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.”

The New Notes are to be issued under an indenture (the “Indenture”), to be dated on or about January 11, 2024, among the Company, the Subsidiary Guarantors and China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司), as trustee (together with its successor, the “Trustee”).

The following is a summary of certain material provisions of the Indenture, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any). This summary does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture, the New 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 proof of holding and identity to the satisfaction of the Trustee, during usual business hours (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time) from Monday to Friday (other than public holidays)) on or after the Original Issue Date at the corporate trust office of the Trustee at 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong.

BRIEF DESCRIPTION OF THE NEW NOTES

The New Notes:

- are general obligations of the Company;
- are senior in right of payment to any existing and future obligations of the Company expressly subordinated in right of payment to the New Notes;
- rank 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);
- are 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;
- are effectively subordinated to the secured obligations 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
- are effectively subordinated to all existing and future obligations of the Non-Guarantor Subsidiaries (as defined below).

The New Notes will mature on January 9, 2025, unless earlier redeemed pursuant to the terms thereof and the Indenture.

The New Notes will bear interest at 9.5% per annum from the Original Issue Date payable in arrears on July 11, 2024 and January 9, 2025 (each, an “Interest Payment Date”) provided that with respect to the first Interest Payment Date, the Company may elect, by giving not less than five Business Days’ notice in writing to the Trustee and the Agents prior to the first Interest Payment Date, not to make any interest payment on the first Interest Payment Date, in which case all accrued interest on the New Notes shall be paid on the next Interest

Payment Date, which is the maturity date. Interest on the New Notes will be paid to the Holders of record at the close of business on June 26, 2024 (if interest payment will be made on the first Interest Payment Date) and December 25, 2024 (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 New Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months, rounding the resulting figure to the nearest cent (half a cent being rounded upwards). So long as the New 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 New Notes in the Register (as defined below) 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 the captions “– Optional Redemption” below and otherwise provided in the Indenture, the New 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 New 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 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 New 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 the caption “– Further Issues.” Unless the context requires otherwise, references to the “New Notes” for all purposes of the Indenture and this “Description of the New Notes” include any Additional New Notes that are actually issued.

The New 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 New 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 New Notes will be made by wire transfer in U.S. dollars in immediately available and cleared funds 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 3/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong), and the New Notes may be presented for registration of transfer or exchange at such office or agency; *provided that*, if the New 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 a register of noteholders (the “Register”) maintained by the Registrar (as defined below) or by wire transfer. Interest payable on the New Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants (as defined herein) on the Business Day following payment thereof.

Though there are references to “Rating Decline” in this Description of New Notes, investors should note that the New Notes are not rated at the time of this exchange offer memorandum and the Original Issue Date.

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 Jingye Holdings Limited and Jingye Holdings (HK) Limited (collectively, the “Initial Subsidiary Guarantors”). The Initial Subsidiary Guarantors are holding companies that do not have significant operations. Other than the Initial Subsidiary Guarantors, neither the other Restricted Subsidiaries organized outside the PRC (collectively, the “Initial Other Non-Guarantor Subsidiaries”) nor those Restricted Subsidiaries organized under the laws of the PRC (the “PRC Non-Guarantor Subsidiaries”) will be a Subsidiary Guarantor on the Original Issue Date. In addition, 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 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 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 New Notes, each of which provides, among other things, that the aggregate claims of the Holders and the Trustee 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, each 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).

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
- will be 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 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 25% of Total Assets.

Each Restricted Subsidiary that guarantees the New 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 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 June 30, 2023, the Company and its consolidated Subsidiaries had total debt of approximately RMB3,470.7 million (US\$478.7 million), of which approximately RMB2,211.6 million (US\$305.0 million) was secured debt of the Company or a Subsidiary.

As of June 30, 2023, the Non-Guarantor Subsidiaries had total debt of approximately RMB1,822.5 million (US\$251.3 million), capital commitments of approximately RMB1,274.7 million (US\$175.8 million) and contingent liabilities of RMB7.7 million (US\$1.1 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) on and interest on, and all other amounts payable under, the New Notes and the Indenture; *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 New 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 New Notes;
- upon a defeasance as described under the caption "– Defeasance – Defeasance and Discharge"; or a satisfaction and discharge as described under "– Satisfaction 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 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 that is also a Subsidiary Guarantor, and upon such release such Subsidiary Guarantor and such Restricted Subsidiaries will become New Non-Guarantor Subsidiaries (such that each New Non-Guarantor Subsidiary will no longer Guarantee the New 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 25% 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 such release is authorized and permitted by the terms of the Indenture.

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 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 New Notes, each of which provides, among other things, that the aggregate claims of the Holders and the Trustee 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” to the extent required.

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 certain 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 New 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 New Notes having the same terms and conditions as the New 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, the 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 New Notes may be consolidated and form a single class with the previously outstanding New Notes and vote together as one class on all matters with respect to the New Notes; *provided that* the issuance of any such Additional New 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, 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 and accrued and unpaid interest, if any, to (but not including) the redemption date.

SELECTION AND NOTICE

The Company will give not less than 15 days' nor more than 60 days' notice of any redemption to the Holders and the Trustee. If less than all of the New Notes are to be redeemed at any time, the New Notes for redemption will be selected as follows:

- (1) if the New 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 New Notes are listed and/or in compliance with the requirements of the clearing systems through which the New Notes are held, as applicable; or
- (2) if the New Notes are not listed on any national securities exchange and/or held through any clearing system, on a *pro rata* basis, by lot or by such method as the Trustee 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 cancelation of the original Note. On and after the redemption date, interest will cease to accrue on the New Notes or portions of them called for redemption.

REPURCHASE OF NEW 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 New 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 New 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 New Notes. In that case, the Company's failure to purchase tendered New Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control Triggering Event under the New 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 New 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 New 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 New Notes. See "Risk Factors – Risks Relating to the New Notes – We may not be able to repurchase the New 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 New 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 New Notes in the event of a takeover, recapitalization or similar transaction.

Neither the Trustee nor the Agents shall be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred and shall not be liable to any person for any failure to do so. The Trustee and the Agents 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 and the Agents shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred. The Trustee and the Agents 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 for any loss arising from any failure by it to do so. The Trustee and the Agents 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 New Notes.

ADDITIONAL AMOUNTS

All payments of principal of, and premium (if any) on and interest on the New Notes or under the Subsidiary Guarantees and the JV Subsidiary Guarantees 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 (as defined under the caption “– Consolidation, Merger and Sale of Assets”) 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 any 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, on 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 New 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 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 on 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.

The Paying and Transfer Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying and Transfer Agent or the Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying and Transfer Agent or the Trustee in accordance with the Indenture.

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 or Permitted Subsidiary Indebtedness or issuance of Preferred Stock 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 1.0 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 New Notes (excluding any Additional New Notes) and each Subsidiary Guarantee and JV Subsidiary Guarantee;
 - (b) any *Pari Passu* Guarantee;
 - (c) Indebtedness of the Company or any Restricted Subsidiary outstanding on the Original Issue Date excluding Indebtedness permitted under clause (d) (together with any 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 (a) and (b) above and 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 be expressly be subordinated in right of payment to the New 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 be 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 or JV 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), (v) and (x) 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 New Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the New Notes or a Subsidiary Guarantee or a JV Subsidiary Guarantee shall only be permitted under this clause (e) if (A) in

case the New Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the New 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 New 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 New 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 New 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 New 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 Non-Guarantor Subsidiary, 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 such Restricted Subsidiary, as applicable, 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 (i) representing Capitalized Lease Obligations, or (ii) 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 a 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*, (A) in the case of sub-clause (ii), the aggregate principal amount of such Indebtedness shall not exceed such purchase price or cost, (B) in the case of sub-clause (ii), 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), (v) and (x) 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 (together with refinancings thereof) 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, 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;
- (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 and Preferred Stock Incurred under clause (h) above and clauses (q), (s), (t), (u), (v) and (x) 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), (v) and (x) 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\$25.0 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 refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p) and (q) above and clauses (t), (u), (v) and (x) 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 refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q) and (s) above and clauses (u), (v) and (x) 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 refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s) and (t) above and clauses (v) and (x) 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 and Preferred Stock Incurred under clauses (h), (p), (q), (s), (t) and (u) above and clause (x) below 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;
- (w) Indebtedness constituting a Subordinated Shareholder Loan;
- (x) 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 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 Minority Interest Staged Acquisition Agreement; *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 (x) (together with refinancings thereof and the aggregate principal amount outstanding of Indebtedness and Preferred Stock Incurred under clauses (h), (p), (q), (s), (t), (u) and (v) above and the refinancings thereof, but excluding any Contractor Guarantee or

Guarantee Incurred under such clauses and this clause (x) 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

- (y) Indebtedness Incurred by the Company or any Restricted Subsidiaries secured by the pledge of deposit of the net proceeds of the New Notes received by the Company and is used by a Restricted Subsidiary incorporated in the PRC to in effect receive such proceeds in the PRC to the extent the amount of such Indebtedness Incurred under this clause (y) does not exceed the amount of the net proceeds from the sale of the New Notes on the Original Issue Date.
- (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 of this covenant, 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 described above.
- (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 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 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 any Subordinated Indebtedness (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 (1) Restricted Payments made by the Company and its Restricted Subsidiaries after the Original Issue Date and (2) payments made by the Company and its Restricted Subsidiaries after the Measurement Date but on or before the Original Issue Date that would have been Restricted Payments had they been made after the Original Issue Date (but excluding all such payments falling within the next succeeding paragraph), shall exceed the sum of:

- (i) 50% of the aggregate amount of the Consolidated Net Income (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 the first day of the fiscal quarter containing the Measurement Date 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 Measurement 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 Measurement 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 Measurement 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 Measurement Date, (B) the unconditional release of a Guarantee provided by the Company or a Restricted Subsidiary after the Measurement Date of an obligation of another Person, (C) to the extent that an Investment made after the Measurement 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) 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 Measurement 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 Measurement 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 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, or (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); *provided that* the aggregate consideration paid for all such repurchased, redeemed, acquired or retired Capital Stock shall not exceed US\$5.0 million (or the Dollar Equivalent thereof) in any fiscal year;
- (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) (a) the declaration and payment of dividends on the Common Stock of the Company by the Company with respect to the fiscal year ended December 31, 2019 in an aggregate amount to the extent not exceeding US\$30.0 million (or the Dollar Equivalent thereof); (b) the declaration and payment of dividends on the Common Stock of the Company with respect to the fiscal year ended December 31, 2020 and the repurchase of Common Stock of the Company in an aggregate amount to the extent not exceeding US\$40.0 million (or the Dollar Equivalent thereof); (c) the declaration and payment of dividends on the Common Stock of the Company with respect to the fiscal year ended December 31, 2021 and the repurchase of Common Stock of the Company in an aggregate amount to the extent not exceeding US\$40.0 million (or Dollar Equivalent thereof) and; (d) the declaration and payment of dividends on the Common Stock of the Company with respect to the fiscal year ended December 31, 2022 and the repurchase of Common Stock of the Company in an aggregate amount to the extent not exceeding US\$40.0 million (or Dollar Equivalent thereof);
- (12) payments, including distributions, made under or in connection with any Perpetual Securities Obligation pursuant to the terms thereof or in connection with a repurchase or redemption thereof;
- (13) the distributions or payments of Securitization Fees in connection with Receivable Financings; or
- (14) the redemption, repurchase, retirement or other acquisition of Capital Stock of any Restricted Subsidiary at a consideration not less than the Fair Market Value of such Capital Stock to the extent not exceeding 5% of Total Assets,

provided that, in the case of clauses (2), (3), (4), (8) and (11) 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 clause (1) 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.

Notwithstanding any other provision of this “Limitation on Restricted Payments” covenant, clause (b) of the first paragraph of this covenant does not have to be satisfied with respect to any Restricted Payment consisting solely of the declaration or payment of dividends in cash on the Common Stock of the Company or the repurchase of Common Stock of the Company on The Stock Exchange of Hong Kong Limited; *provided that*, no Default shall have occurred and be continuing or would occur as a consequence of such declaration, payment or repurchase and the only amount of any Restricted Payment made pursuant to this paragraph that shall be included in calculating whether the conditions of clause (c) of the first paragraph of this “Limitation on Restricted Payments” covenant have been met shall be the excess amount, if any, of (x) the aggregate amount of all declarations and payments of dividends on such Common Stock during any fiscal year of the Company and price paid for all such repurchased Common Stock during such fiscal year over (y) 30% of profit for the year based on the consolidated financial statements of the Company in the immediate prior fiscal year.

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 international standing if the Fair Market Value exceeds US\$10.0 million (or the Dollar Equivalent thereof). Notwithstanding any other provision of this covenant, in the case of a declaration of dividend with respect to the Company’s or any Restricted Subsidiary’s Capital Stock which involves a scrip dividend option, such Restricted Payment shall be deemed to be made only when the cash component of such dividend is finally determinable by the Company or such Restricted Subsidiary.

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 New Notes, the Subsidiary Guarantees, the JV Subsidiary Guarantees, the Indenture or under any *Pari Passu* Guarantee, or any Indebtedness of the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor 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 the covenant described under the caption “– 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 New Notes 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;
- (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 New 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 the 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 New 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 New Notes have been paid in full or (2) such Guarantee is permitted by clause (2)(c), (d), (q) or (y) (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 in the case of clause 2(q) or such Indebtedness in the case of clause 2(y)), under the caption “– Limitation on Indebtedness and Preferred Stock.”

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the New 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 New 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 New 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 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 the 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 the 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 non-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, 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 partner being an officer or director of such Restricted Subsidiary, Minority Joint Venture or Unrestricted Subsidiary or by reason of being a Subsidiary or Minority Joint Venture of the Company 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 the 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 New 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 New Notes (as contemplated under the preceding paragraphs) 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) complete or facilitate the completion by itself or 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 the 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 New 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, a Subsidiary Guarantor or a JV Subsidiary Guarantor, if any, or any Indebtedness of a Non-Guarantor Subsidiary (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 a Permitted Business (including any Capital Stock in a person holding such property or assets that is primarily engaged in a Permitted Business) (“Replacement Assets”),

provided that, 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\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceeds US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, the Company must make an Offer to Purchase New 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 New Notes and (y) the denominator of which is equal to the outstanding principal amount of the New 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\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount of the New Notes plus accrued and unpaid interest to 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 New 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 Company will apply the Excess Proceeds pro rata to purchase such tendered New Notes pursuant to the policies and procedures of the Common Depository. 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 the New 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 caption “Use of Proceeds” in this exchange offer memorandum (or in the case of Additional New Notes, the offering or other document relating to the sale of such Additional New 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 the caption “– 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 the 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 New 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 New 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 New Notes have a rating of Investment Grade from two 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 New Notes cease to have a rating of Investment Grade from any 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) Limitation on the Company’s Business Activities “– Certain Covenants – Limitation on the Company’s Business Activities”;
- (6) “– Certain Covenants – Limitation on Sale and Leaseback Transactions”;
- (7) “– Certain Covenants – Limitation on Asset Sales”;
- (8) 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 New 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 New 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 or other 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 quarters 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 New 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 and/or an Event of Default, an Officers' Certificate setting forth the details of the Default and/or the Event of Default, and the action which the Company proposes to take with respect thereto.

Delivery of such reports, information and documents to the Trustee is for informational purposes only and the Trustee's receipt of such shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Company's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officer's Certificates).

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 New 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 the caption “– 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 New 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 New 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 Trustee to the Company or the Holders of 25% or more in aggregate principal amount of the New Notes then outstanding to the Company and the Trustee;
- (5) there occurs with respect to any Indebtedness of the Company or any Restricted Subsidiary having an outstanding principal amount of US\$15.0 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 or interest payment when due, *provided, however*, that such Indebtedness shall not include (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;
- (6) one or more final judgments or orders for the payment of money are rendered against the Company or any of the 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\$15.0 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 any which is in relation to (x) the Excluded Indebtedness and/or (y) any Indebtedness which 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 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 for any substantial part of the property and assets of the Company or any 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 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 based on any Excluded Indebtedness;
- (8) the Company or any 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 for all or substantially all of the property and assets of the Company or any Significant Subsidiary 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 in the ordinary course of business that shall result in the net assets of such 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), and other than in each case under (a) and (b), any proceeding commenced, order sought or application or appointment made to defend against, postpone or adjourn any remedy exercised under any Excluded Indebtedness; 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 New 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 request of such Holders shall, subject to receiving prefunding and/or indemnity and/or security to its satisfaction, declare the principal of, premium (if any) on and accrued and unpaid interest on the New Notes to be immediately due and payable. Upon a declaration of acceleration, such principal, 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, the principal of, premium (if any) on and accrued and unpaid interest on the New 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 aggregate principal amount of the outstanding Notes by written notice to the Company and to the Trustee may on behalf of the Holders of Notes waive any existing Default or Event of Default and its consequences hereunder, (except a Default or Event of Default (i) in respect of the payment of principal, premium or interest under the Notes, if any; or (ii) in respect of a covenant or provision hereof which under “– Amendments and waiver” cannot be modified, amended or waived without the consent of 75% in principal amount of the outstanding Notes; in each case of (i) and (ii), which may only be waived with the consent of the Holders of at least 75% of the principal amount of the Notes then outstanding) and rescind and annul a declaration of acceleration and its consequences if 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 written request of Holders of at least 25% in aggregate principal amount of New Notes then outstanding (subject to receiving satisfactory prefunding and/or indemnity and/or security), 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 New Notes or to enforce the performance of any provision of the New Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the New Notes or does not produce any of them in the proceeding. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, that conflicts with law or the Indenture and that may involve the Trustee in personal liability or that is 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 if it does not believe that reimbursement or indemnity and/or security and/or pre-funding to its satisfaction is assured to it.

The Holders of at least a majority in aggregate principal amount of the outstanding New 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 prefunded and/or indemnified and/or secured to its satisfaction in advance of the proceedings. However, the Trustee may refuse to follow any direction that is unclear, conflicting or equivocal, that conflicts with law or the Indenture and that may involve the Trustee in personal liability or that is 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 if it does not believe that reimbursement or indemnity and/or security and/or pre-funding to its satisfaction is assured to it.

A Holder of New Notes may not institute any proceeding, judicial or otherwise, with respect to the Indenture or the New Notes, or for the appointment of a receiver or trustee, or for any other remedy under the Indenture or the New 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 New Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee prefunding and/or indemnity and/or security 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 written request within 60 days after receipt of the written request and the offer of prefunding and/or indemnity and/or security satisfactory to it; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding New Notes do not give the Trustee a written direction that is inconsistent with the written request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium (if any) on or interest on, such Note, or to bring suit for the enforcement of any such payment, on or after the due date expressed in the New Notes, which right shall not be impaired or affected without the consent of Holders of not less than 75% in principal amount of the Notes then outstanding, in accordance with the “– Amendments and Waiver” provision.

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 the Restricted Subsidiaries and the Company’s and the Restricted Subsidiaries’ performance under the Indenture and that the Company and the 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 Event of Default in the performance of any covenants or agreements under the Indenture. See “– Certain Covenants – Provision of Financial Statements and Reports.”

The Trustee and the Agents are not 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 for any loss arising from any failure by it to do so. The Trustee and the Agents may assume that no such Event of Default or Default has occurred and that the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) are performing their respective obligations under the Indenture and the New Notes unless the Trustee and the Agents have received written notice of the occurrence of an Event of Default or Default. The Trustee and the Agents are entitled to conclusively rely, without liability, on any Officers’ Certificate regarding whether or not a Default or an Event of Default has occurred and is continuing.

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 the 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 New 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 New 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 New Notes and the Indenture; and
- (7) no Rating Decline shall have occurred if the New Notes are rated at such time.

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 the 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 New 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 New 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) no Rating Decline shall have occurred if the New Notes are rated at such time,

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 caption “– 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 New 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 New Notes, the Company and any Restricted Subsidiary may exclude (i) Holders or beneficial owners of the New Notes that are not institutional “accredited investors” as defined in Rule 501 under the Securities Act, (ii) Holders or beneficial owners of the New Notes that are located in the U.S. or are “U.S. Persons” as defined in Regulation S under the Securities Act, and (iii) Holders or beneficial owners of the New Notes in any jurisdiction where the inclusion of such Holders or beneficial owners would require the Company or any 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 New 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 New Notes (except for, among other matters, certain obligations to register the transfer or exchange of the New Notes, to replace stolen, lost or mutilated New 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, premium (if any) 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) on and accrued interest on the New Notes on the Stated Maturity for such payments in accordance with the terms of the Indenture and the New 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) on and accrued interest on, the New 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 Restricted Subsidiary is a party or by which the Company or any Restricted Subsidiary is bound.

In the case of either discharge or defeasance of the New 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 New 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 the captions “– 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, premium (if any) 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) on and accrued interest on the New Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the New 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 New 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 New Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the New Notes at the time of the acceleration resulting from such Event of Default. However, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) will remain liable for such payments.

SATISFACTION AND DISCHARGE

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the New Notes, as expressly provided for in the Indenture) as to all outstanding New Notes when:

- (1) either:
 - (a) all of the New Notes theretofore authenticated and delivered (except lost, stolen or destroyed New Notes which have been replaced or paid and New Notes for whose payment money has theretofore been deposited in trust by the Company and thereafter repaid to the Company) have been delivered to the Paying Agent for cancellation; or
 - (b) all New Notes not theretofore delivered to the Paying Agent for cancellation have become due and payable pursuant to an optional redemption notice or otherwise or will become due and payable within one year, and the Company has irrevocably deposited or caused to be deposited with the Trustee funds, in cash in U.S. dollars, non-callable U.S. Government Obligations or a combination thereof, in an amount sufficient to pay and discharge the entire indebtedness on the New Notes not theretofore delivered to the Paying Agent for cancellation, for principal of, premium, if any, and interest on the New Notes to the date of deposit together with irrevocable written instructions from the Company directing the Trustee or the Paying Agent to apply such funds to the payment thereof at maturity or redemption, as the case may be;
- (2) the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor has paid all other sums payable under the Indenture;
- (3) such deposit will not result in a breach or violation of, or constitute a default under, any instruments to which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is a party or by which the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor is bound (other than the Indenture, the New Notes or any Security Document).

In addition, the Company must deliver to the Trustee an Officers' Certificate stating that all conditions precedent to satisfaction and discharge have been satisfied.

AMENDMENTS AND WAIVER

Amendments Without Consent of Holders

The Indenture, the New 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, manifest error or inconsistency in the Indenture or the New Notes;
- (2) comply with the provisions described under the caption “– 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 New Notes in accordance with the limitations set forth in the Indenture;
- (6) add or release any collateral to secure the New 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, Clearstream or any relevant 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 New 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 New Notes, the Subsidiary Guarantees or the JV Subsidiary Guarantees.

Amendments With Consent of Holders

The Indenture, the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees (if any) may be amended or modified with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding New Notes, and the Holders of a majority in aggregate principal amount of the outstanding New Notes or the Trustee may amend or waive any default or future compliance by the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any), with any provision thereof; *provided, however, that* no such modification, amendment or waiver may, without the consent of Holders holding no less than 75% of the aggregate principal amount of the Notes then outstanding:

- (1) change the Stated Maturity of the principal of, or any installment of interest on, any Note;
- (2) reduce the principal amount of, or premium (if any) on or interest on, any Note;
- (3) change the currency of payment of principal of, or premium (if any) on 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 New 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) on or interest on the New 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 New 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 New 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 New Notes under “Certain Covenants – Limitation on Asset Sales”;

- (11) change the redemption date or the redemption price of the New Notes from that stated under the caption “– Optional Redemption”;
- (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 New 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) on or interest on the New 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) on or interest on any of the New 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 New 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 New Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the New 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

China Construction Bank (Asia) Corporation Limited (中國建設銀行(亞洲)股份有限公司) will be appointed as trustee under the Indenture, and also as registrar (the “Registrar”), paying agent (the “Paying Agent”) and transfer agent (the “Transfer Agent”, and together with the Registrar and the Paying Agent, and their respective successors, the “Agents”) with regard to the New 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 and the New Notes, and no implied covenant or obligation shall be read into the Indenture and the New Notes against the Trustee and the Agents. 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 and have absolute and uncontrolled discretion as to exercise or non-exercise of any of its rights or powers under the Indenture at the request of any Holder pursuant to the Indenture, unless such the requisite number of Holders shall have instructed the Trustee in writing and provided to the Trustee security and/or indemnity and/or pre-funding satisfactory to it against loss, liability or expense. The Trustee and the Agents shall be under no duty or responsibility to determine, calculate or verify the redemption price or any premium, any purchase price for a Change of Control Offer or any Additional Amounts. The Trustee and the Agents shall be entitled to rely without further investigation or liability on all calculations, reports, opinions and determinations reached or made by the Company and will not be responsible or liable to Holders, the Company or any other person for any loss arising from any such failure or reliance or for any delay of the Company in making any calculation or determination.

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 can profit therefrom without being obliged to account for such profit. The Trustee and the Agents may have an interest in or may be providing or may in the future provide financial or other

services to other parties; *provided, however, that* if it acquires any conflicting interest, it must eliminate such conflict or resign. The Trustee and the Agents may have an interest in, may be providing or may in the future provide financial or other services to, other parties.

The Trustee and the Agents shall not be deemed to have knowledge of any Event of Default or Default unless it has received express written notice of such Event of Default or Default.

Under the Indenture, the Trustee is entitled to be indemnified and/or secured and/or pre-funded and relieved from liability or responsibility in certain circumstances and will be paid its fees, costs, expenses and indemnity in priority to the claims of the Holders. The Trustee will look to the interests of the Holders as a class rather than to individual Holders as regards their connection to any territory/taxing jurisdiction.

The Trustee will not be under any obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders, unless such Holders of at least 25% or more in aggregate principal amount of the outstanding New Notes have instructed it in writing and offered to the Trustee prefunding and/or indemnity and/or security satisfactory to the Trustee against any loss, liability or expense.

Furthermore, each Holder, by accepting the New Notes agrees, 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 offering of the New 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 New 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 Initial Global Note will be deposited with a common depository and registered in the name of the common depository or its nominee for the accounts of Euroclear and Clearstream. Any additional New 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 Initial Global Note (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 New Notes are held in global form, the common depository 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 New 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 New 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 New 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 (if any), interest and Additional Amounts) will be made to the Paying Agent in U.S. dollars. The Paying Agent will, in turn, make such payments in accordance with the procedures of Euroclear and Clearstream. 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 and as described under the caption “– 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, Euroclear and/or Clearstream will distribute the amount received by it in respect of the Global Note so redeemed 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 New 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 New 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 New 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.

In considering the interests of Holders of New Notes while the Global Note is held on behalf of, or registered in the name of any nominee for, a clearing system, the Trustee may have regard to any certificate, report or any other information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note and may consider such interests as if such accountholders were the holders of the New Notes represented by the Global Note. The Trustee may call for any certificate or other document to be issued by the relevant clearing system as to the principal amount of Note evidenced by the Global Note standing to the account of any person. Any such

certificate or other document shall be conclusive and binding for all purposes. The Trustee shall not be liable to any Holder of the New Notes, the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors or any other person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by the relevant clearing system and subsequently found to be forged or not authentic or not to be correct.

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 New 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 New 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 or indirect 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 depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary 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 New 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 depositary, Euroclear, Clearstream or the Trustee, as the case may be, the Company will use its best efforts to make arrangements with the common depositary 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 the Trustee or 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 New Notes or the Indenture to be given to or by the Holders are required to be in writing in English and may be given or served by being sent by prepaid courier or first-class mail (if intended for the Company or any Subsidiary Guarantor) addressed to the Company or such Subsidiary Guarantor at the principal office of the Company; (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 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, and no separate notices to the Holders are required under the above paragraph. 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 and the JV Subsidiary Guarantors (if any) 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 New 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 New 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, at any time during the period for which the determination of affiliation is made; (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 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 and 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 Restricted Subsidiary 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 Restricted Subsidiary; or (2) an acquisition by the Company or any Restricted Subsidiary of the property and assets of any Person other than the Company or any Restricted Subsidiary 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 Restricted Subsidiary (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 Restricted Subsidiary.

“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 Restricted Subsidiary 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 the 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”;
- (7) any sale, transfer or other disposition by the Company or any Restricted Subsidiary, 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;
- (8) any sale, transfer or other disposition of assets by the Company or any Restricted Subsidiary to any Person that becomes a Restricted Subsidiary upon consummation of such sale, transfer or disposition of assets; and

- (9) Any disposition of Receivable Financing Assets in connection with any Receivable Financing which constitutes Indebtedness (other than Non-recourse Receivable Financing) Incurred in compliance with the covenants described under “– Certain Covenants – Limitation on Indebtedness.”

“**Attributable Indebtedness**” means, in respect of a Sale and Leaseback Transaction, at the time of determination, 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 the 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 in any other place in which payments on the New 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 liability which would have been classified as “operating lease” before the adoption of HKFRS 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 50.1% of the total voting power of the Voting Stock of the Company;
- (3) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act),

directly or indirectly, of total voting power of the Voting Stock of the Company greater than such total voting power held beneficially by the Permitted Holders;

- (4) individuals who on the Original Issue Date constituted the Board of Directors, together with any new directors whose election by the Board of Directors was approved by a vote of at least two-thirds 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 then in office; or
- (5) the adoption of a plan relating to the liquidation or dissolution of the Company.

“Change of Control Triggering Event” means the occurrence of both a Change of Control and, provided that the New Notes are rated by at least one Rating Agency, 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 the 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 the 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 the 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 Restricted Subsidiary 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. For the avoidance of doubt, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Fixed Charges.

“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 the 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 the Restricted Subsidiaries, without duplication, (1) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (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 (other than capitalized interest arising from lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16); *provided 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. For the avoidance of doubt, distributions incurred, accrued or payments on any Perpetual Securities Obligation shall not be included in the calculation of Consolidated Interest Expense.

“Consolidated Net Income” means, for any period, the aggregate of the net income (or loss) of the Company 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 a dividend or other distribution (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 Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by the Company or any Restricted Subsidiary;
- (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; and
- (7) 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 the 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 Restricted Subsidiary, 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 the caption “– 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 Stated Maturity of the New Notes, redeemable at the option of the holder of such class or series of Capital Stock at any time prior to the Stated Maturity of the New 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 New 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 New 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 New 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 New Notes as are required to be repurchased pursuant to the covenants described under the captions “– Certain Covenants – Limitation on Asset Sales” and “– Repurchase of New 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.

“**Excluded Indebtedness**” means any Indebtedness in respect of the Excluded Notes and the Excluded Loans.

“**Excluded Loans**” means the HK\$517,470,000 facility granted by Hang Seng Bank Limited (as the facility agent and mandated lead arranger) and certain other financial institutions as lenders pursuant to a facilities agreement entered into between the Company and such financial institutions on December 29, 2022.

“**Excluded Notes**” means the 9.5% senior notes due 2024 issued by the Company pursuant to an indenture dated as of January 12, 2023 (as such may be amended, supplemented or modified from time to time).

“**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 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 or consolidated 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.

“**HKFRS**” means the Hong Kong Financial Reporting Standards.

“**Holder**” means the Person in whose name a Note is registered in the 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, (2) Entrusted Loans, or (3) any Perpetual Securities Obligation; *provided that* such Indebtedness is not reflected 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.

“**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 owned and 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 the 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.

“**Measurement Date**” means March 10, 2020.

“**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 the 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.

“Non-recourse Receivable Financing” means Receivable Financing (i) under which neither the Company nor any Restricted Subsidiary (other than pursuant to Standard Non-recourse Receivable Financing Undertakings) provides guarantee or recourse with respect to the Receivable Financing Assets, undertakes to repurchase any Receivable Financing Assets, subjects any of its properties or assets, directly or indirectly, contingently or otherwise, to the satisfaction of any obligation related to the Receivable Financing Assets or undertakes to maintain or preserve the financial condition or operating results of the entity that purchases or otherwise receives the Receivable Financing Assets and (ii) is not reflected as liability on the consolidated balance sheet of the Company.

“Offer to Purchase” means an offer to purchase New 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 Register stating:

- (1) the covenant pursuant to which the offer is being made and that all New 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 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 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 New Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such New Notes purchased; and

- (7) that Holders whose New Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the New 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 Tender Agent money sufficient to pay the purchase price of all New Notes or portions thereof tendered pursuant to an Offer to Purchase. On the Offer to Purchase Payment Date, the Company shall (a) accept for payment on a *pro rata* basis New Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all New Notes or portions thereof so accepted together with an Officers' Certificate specifying the New Notes or portions thereof accepted for payment by the Company.

The Tender Agent shall as soon as reasonably practicable mail to the Holders of New Notes so accepted payment in an amount equal to the purchase price, and the Trustee 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 New 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 New 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 New 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, that*, with respect to the Officers' Certificate required to be delivered by any Subsidiary Guarantor or JV Subsidiary Guarantor (if any) under the Indenture, Officers' Certificate means a certificate signed by one Officer if there is only one Officer in such Subsidiary Guarantor or 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 New Notes are originally issued under the Indenture.

"outstanding" when used with respect to the Notes means, as of the date of determination, all Notes theretofore authenticated and delivered under the Indenture, except:

- (1) Notes theretofore cancelled by the Paying and Transfer Agent or accepted by the Paying and Transfer Agent for cancellation;

- (2) Notes for whose payment or redemption money in the necessary amount has been theretofore deposited with the Trustee (in trust) or any Paying and Transfer Agent for the Holders of such Notes; *provided that*, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made; and
- (3) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Indenture.

A Note does not cease to be outstanding because the Company or any Affiliate of the Company holds the Note. For the avoidance of doubt, determining whether the Holders of the requisite amount of outstanding Notes have given any request, demand, authorization, direction, notice, consent or waiver under the Indenture, Notes owned by the Company or any Affiliate of the Company or beneficially held for the Company or an Affiliate of the Company shall be deemed to be outstanding.

“Pari Passu Guarantee” means a guarantee by the Company, any Subsidiary Guarantor or any JV Subsidiary Guarantor of Indebtedness of the Company (including Additional New 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 New 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.

“Permitted Businesses” means any business which is the same as or related, ancillary or complementary to any of the businesses of the Company and the Restricted Subsidiaries on the Original Issue Date, which, for the avoidance of doubt, shall include, among others, the real estate development business.

“Permitted Holders” means any or all of the following:

- (1) Chan Sze Ming Michael and Shum Wing Yin;
- (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 clause (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 Restricted Subsidiary 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 Restricted Subsidiary (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) made 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 30% 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) the Person into which such Investment is made is primarily engaged in the Permitted Businesses;
- (iii) 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 the “– Limitation on Transactions with Shareholders and Affiliates” covenant; and
- (iv) 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 or intermediary parties or agents in connection with the financing of primary land development or urban redevelopment in the PRC, which advances are recorded as assets on the Company’s consolidated balance sheet and pursuant to the terms of which are to be repaid to the Company or a Restricted Subsidiary or to offset part of land acquisition cost payable by the Company or its Restricted Subsidiaries;
- (19) an acquisition of assets, Capital Stock or other securities by the Company or a Subsidiary for consideration to the extent such consideration consists solely of Common Stock of the Company;
- (20) repurchases of the New Notes;
- (21) the purchase of Capital Stock of a Person and payments made pursuant to a Staged Acquisition Agreement or a Minority Interest Staged Acquisition Agreement;
- (22) Investment that has been agreed to or is otherwise obligated to be made pursuant to a agreement or similar instrument in existence on the Original Issue Date;
- (23) loans, advances or deposits to a shareholder of a Restricted Subsidiary the proceeds of which are injected into such Restricted Subsidiary or any of its Restricted Subsidiaries;

- (24) any Investment in a subordinated tranche of interests in a Receivable Financing Incurred pursuant to clause (ii) of the definition thereof with multiple tranches offered and sold to investors that, in the good faith determination of the Board of Directors, is necessary or advisable to effect such Receivable Financing; and
- (25) any customary indemnity or make-up of difference in payments in connection with any Receivable Financing.

“**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 the 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 the 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 do 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 or created, granted or extended pursuant to agreements 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 (2)(e) 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 or Capitalized 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 Restricted Subsidiary 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 Restricted Subsidiary 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 and Preferred Stock permitted under paragraph (2)(p) of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (21) Liens securing Indebtedness permitted under clauses (2)(n) of the covenant described under the caption “– 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 clauses (2)(o) and (x), respectively, of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;

- (23) (x) Liens incurred on bank accounts, deposits or other assets made to secure Bank Deposit Secured Indebtedness; and (y) Liens on bank accounts with respect to which the net proceeds of the New Notes are deposited to secure any Indebtedness permitted to be incurred under clause (2)(y) of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”;
- (24) Liens securing Indebtedness permitted under clauses (2)(r), (s), (t), (u) or (v) of the covenant described under the caption “– 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 the caption “– 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)(b), (d), (f), (g), (m) and (o) of the covenant described under the caption “– Certain Covenants – Limitation on Indebtedness and Preferred Stock”) does not exceed an amount equal to 20% of Total Assets.

“**Perpetual Securities Obligation**” means perpetual securities that are accounted for as equity in accordance with the relevant generally accepted accounting principles.

“**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 Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures adopted on April 13, 1988 (lastly amended on November 4, 2017 and superseded by the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020) and the Detailed Rules for the Implementation of the Law of the People’s Republic of China on Sino-foreign Cooperative Joint Ventures promulgated on September 4, 1995 (lastly amended on November 17, 2017 and superseded by the Regulation for Implementing the Foreign Investment Law of the People’s Republic of China adopted on January 1, 2020), as such laws 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 New 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 Exchange Act) or a designated offshore securities market (as such term is defined in Rule 902(b) under the Securities Act).

“Rating Agencies” means (1) S&P, (2) Moody’s and (3) Fitch, provided that if S&P, Moody’s, Fitch or some or all of them shall not make a rating of the New 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 S&P, Moody’s, Fitch or some or all of them, as the case may be.

“Rating Category” means (1) with respect to S&P, 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) with respect to Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories); and the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the New Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P; “1,” “2” and “3” for Moody’s; “+” and “-” for Fitch; or the equivalent gradations for another Rating Agency) shall be taken into account (e.g., with respect to S&P, 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 and (y) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control 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, the occurrence on, or within six months after a Change of Control or a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control (which period shall be extended so long as the rating of the New Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (2) in connection with actions contemplated under the caption “– Consolidation, Merger and Sale of Assets,” if the New Notes are rated at such time, 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 New Notes are rated by all three of the Rating Agencies on the Rating Date as Investment Grade, the rating of the New Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the New Notes are rated by any two, but not all three, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the New Notes by any of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the New Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the New Notes by such Rating Agency shall be below Investment Grade; or
- (d) in the event the New Notes are rated by three or less than three Rating Agencies and are rated below Investment Grade by all such Rating Agencies on the Rating Date, the rating of the New Notes by any 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.

“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, *provided that* Sale and Leaseback Transaction shall not include such transactions which give rise to any lease liability which would have been classified as “operating lease” before the adoption of HKFRS 16.

“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 New 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, or any group of Restricted Subsidiaries, when taken together and consolidated with its or their Restricted Subsidiaries, that would be a “significant subsidiary” within the meaning of the definition of “significant subsidiary” in Article 1, Rule 1-02(w) of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Original Issue Date, if any of the conditions exceeds 5%.

“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.

“Standard Non-recourse Receivable Financing Undertakings” means representations, warranties, undertakings, covenants and indemnities entered into by the Company or any Restricted Subsidiary which the Company has determined in good faith to be customary for a seller or servicer of assets in Non-recourse Receivable Financings.

“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 New 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 New 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 New 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 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 New Notes by any Subsidiary Guarantor.

“Subsidiary Guarantor” means any Initial Subsidiary Guarantor and any other Restricted Subsidiary which guarantees the payment of the New Notes pursuant to the Indenture and the New Notes; *provided that* Subsidiary Guarantor will not include (a) any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the New 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 the 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 Restricted Subsidiary 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 overseas countries or territories or an Affiliate thereof, that Invests in any Capital Stock of a Restricted Subsidiary.

“Unrestricted Subsidiary” means (1) 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 (2) 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 New 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, British Virgin Islands, 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 advisers 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 of certain Cayman Islands 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 or premium 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 are 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 New 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 New Notes. Certificates evidencing registered New Notes, to which title is not transferable by delivery, will not attract 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 the Company if any such documents are executed in or brought into the Cayman Islands or produced before the Cayman Islands courts.

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company with limited liability and, as such, has obtained an undertaking from the Financial Secretary in the Cayman Islands in the following form:

“The Tax Concessions Law

Undertaking As To Tax Concessions

In accordance with the Tax Concessions Law the following undertaking is hereby given to

JY Grandmark Holdings Limited “the Company”

景業名邦集團控股有限公司

- (a) 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 the Company or its operations; and
- (b) 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
 - (i) on or in respect of the shares debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law.

These concessions shall be for a period of TWENTY years from the 13th day of November 2018.”

The Cayman Islands does not have any income tax treaty arrangement with any country, however the Cayman Islands has entered into tax information exchange agreements with a number of countries.

BRITISH VIRGIN ISLANDS

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 debt obligations or other securities of the Issuer. There are currently no withholding taxes or exchange control regulations in the British Virgin Islands applicable to payments the Issuer may make under the transaction documents relating to the New Notes or payments the Subsidiary Guarantors or JV Subsidiary Guarantors may make under the Subsidiary Guarantees or JV Subsidiary Guarantees (if any).

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the New Notes or in respect of any capital gains arising from the sale of the New Notes.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the New Notes may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- interest on the New Notes is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;
- interest on the New Notes is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business, unless otherwise exempted;
- interest on the New Notes is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the “IRO”)) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or
- interest on the New Notes is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Notes will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Notes will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Notes will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the New Notes are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a New Note.

PRC

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 advisers 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. Under the PRC EIT Law and implementation regulations issued by the State Council, PRC income tax at the rate of 10% (or lower treaty rate, if any) must be withheld from interest payable to investors that are “non-resident 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, or 20% for “non-resident individuals” investors (or lower treaty rate, if any), if we are deemed to be a PRC “resident enterprise” and the interest is deemed as PRC-source income. Any gain realized on the transfer of the New Notes by such “non-resident enterprises” investors would be subject to a 10%, or 20% for “non-resident individuals” investors (or lower treaty rate, if any) PRC income tax if such gain is regarded as income derived from sources within the PRC in the case that we are treated as a PRC “resident enterprise”. There is uncertainty as to whether we will be treated as a PRC “resident enterprise” for the purpose of the EIT Law. See “Risk Factors – Risks Relating to the New Notes, the Subsidiary Guarantees and the JV Subsidiary Guarantees – Under the EIT Law we may be classified as a “resident enterprise” of the PRC, which could result in unfavorable tax consequences to us and our non-PRC holders of the New Notes.” If we are treated as a PRC “resident enterprise,” the interest we pay in respect of the New Notes, and the gain any investor may realize from the transfer of the New Notes, might be treated as income derived from sources within the PRC and be subject to PRC income tax.

Value-added Tax (“VAT”). According to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-Added Tax to Replace Business Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知) (“Circular 36”), the entities and individuals providing the services within China shall be subject to VAT. The services subject to VAT 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 Bonds is likely to be treated as the holders of the Bonds providing loans to the Company, which thus shall be regarded as financial services subject to VAT. It is not clear from the interpretation of Circular 36 if the provision of loans to the Company could be consider services provided within the PRC, which thus could be regarded as the provision of financial services that could be subject to VAT. Furthermore, there is no assurance that the Company will not be treated as “resident enterprises” under the EIT Law. PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC because the Company is treated as PRC tax residents. In which case, the issuance of the Bonds could be regarded as the provision of financial services within the PRC that is subject to VAT.

If the Company is treated as a PRC tax resident and if PRC tax authorities could take the view that the holders of the Bonds are providing loans within the PRC, or if the interest component of the amount payable by Subsidiary Guarantors to the Bondholders is viewed as interest income arising within the territory of the PRC, the holders of the Bonds shall be subject to VAT at the rate of 6 per cent. when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12 per cent. of the VAT payment. Given that the Company or Subsidiary Guarantors pay interest income to Bondholders who are located outside of the PRC, the Company or Subsidiary Guarantors, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of the PRC. Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds 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, theoretically Circular 36 does not apply and the Company does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

Stamp Duty. No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the New Notes is maintained outside the PRC) of a Note.

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 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 have 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.
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”) HAVE 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 represent that you (and any person on whose behalf you are acting) are Professional Investors. You acknowledge that we, the Dealer Manager, the Trustee, the Agents 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 Trustee and the Transfer 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 Hong Kong, United States federal and New York law, Jingtian & Gongcheng as to matters of PRC law and Conyers Dill & Pearman as to matters of Cayman Islands law and BVI law. Certain legal matters will be passed upon for the Dealer Manager by Jingtian & Gongcheng LLP as to matters of United States federal and New York law and Tian Yuan Law Firm as to matters of PRC law.

INDEPENDENT AUDITOR

Our audited consolidated financial statements as of and for the years ended December 31, 2021 and 2022 reproduced in this exchange offer memorandum have been audited by PricewaterhouseCoopers, Certified Public Accountants, as stated in the reports therein and in our annual reports for the years ended December 31, 2021 and 2022. Our unaudited interim condensed consolidated financial information as of and for the six months ended June 30, 2023 reproduced in this exchange offer memorandum have been reviewed by PricewaterhouseCoopers, Certified Public Accountants, in accordance with HKSRE 2410.

GENERAL INFORMATION

CONSENTS

We have obtained all necessary consents, approvals and authorizations in the Cayman Islands, the BVI 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 December 20, 2023.

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 or the Subsidiary Guarantees.

NO MATERIAL ADVERSE CHANGE

Except as otherwise disclosed in this exchange offer memorandum, 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 June 30, 2023 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 (being between 9:00 a.m. (Hong Kong time) to 3:00 p.m. (Hong Kong time)) on any weekday (except public holidays) at the specified offices of the Trustee, located at 28/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong, 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 independent auditor's reports and/or our published financial statements, if any, set out in the section entitled "Index to Financial Information" in this exchange offer memorandum, together with the Data Privacy Notice, may be obtained during normal business hours on any weekday (except public holidays) at the principal/registered office of the Company.

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>
Notes	XS2739589161	273958916

LISTING OF THE NEW NOTES

Application will be made to the Hong Kong Stock Exchange for the listing of the New Notes by way of debt issues to Professional Investors only as described in this exchange offer memorandum. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this exchange offer memorandum, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this exchange offer memorandum.

INDEX TO FINANCIAL INFORMATION

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE SIX MONTHS ENDED JUNE 30, 2023

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Interim Condensed Consolidated Statement of Financial Position	F-3	28
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AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

	F-pages	2022 Annual Report ⁽²⁾
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AUDITED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

	F-pages	2021 Annual Report ⁽³⁾
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Notes:

- (1) Page references included in the unaudited interim condensed consolidated financial information for the six months ended June 30, 2023 set forth above refer to pages in such unaudited interim condensed consolidated financial information as appeared in our interim report for the six months ended June 30, 2023. The unaudited interim condensed consolidated financial information have not been specifically prepared for inclusion in this exchange offer memorandum.
- (2) Page references included in the audited consolidated financial statements for the year ended December 31, 2022 set forth above refer to pages in such audited consolidated financial statements as appeared in our annual report for the year ended December 31, 2022, as the case may be. The audited financial statements have not been specifically prepared for inclusion in this exchange offer memorandum.
- (3) Page references included in the audited consolidated financial statements for the year ended December 31, 2021 set forth above refer to pages in such audited consolidated financial statements as appeared in our annual report for the year ended December 31, 2021, as the case may be. The audited financial statements have not been specifically prepared for inclusion in this exchange offer memorandum.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	Six months ended 30 June	
		2023 Unaudited RMB'000	2022 Unaudited RMB'000
Revenue	5	325,841	308,168
Cost of sales	6	(277,018)	(246,753)
Gross profit before impairment losses on completed properties held for sale and properties under development		48,823	61,415
Net impairment losses on completed properties held for sale and properties under development	6	(341,524)	(276,942)
Gross loss after impairment losses on completed properties held for sale and properties under development		(292,701)	(215,527)
Selling and marketing expenses	6	(31,746)	(37,769)
Administrative expenses	6	(40,548)	(55,928)
Net impairment reversal/(losses) on financial assets		23,419	(2,121)
Other income		8,755	1,798
Other expenses		(139)	(10,125)
Other losses – net	7	(27,590)	(4,440)
Operating loss		(360,550)	(324,112)
Finance costs	8	(15,717)	(17,228)
Finance income	8	2,514	3,850
Finance costs – net	8	(13,203)	(13,378)
Share of (loss)/profit of investments accounted for using the equity method	12	(7,550)	4,008
Loss before income tax		(381,303)	(333,482)
Income tax expense	9	(40,169)	28,094
Loss for the period		(421,472)	(305,388)
Loss attributable to:			
Owners of the Company		(377,280)	(185,787)
Non-controlling interests		(44,192)	(119,601)
		(421,472)	(305,388)
Other comprehensive loss for the period			
Item that may be reclassified to profit or loss – Currency translation differences		(51,513)	(61,081)
Other comprehensive loss for the period, net of tax		(51,513)	(61,081)
Total comprehensive loss for the period		(472,985)	(366,469)
Total comprehensive loss attributable to:			
Owners of the Company		(428,793)	(246,868)
Non-controlling interests		(44,192)	(119,601)
		(472,985)	(366,469)
Loss per share (expressed in RMB per share)			
– Basic and diluted loss per share	10	(0.23)	(0.11)

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB Yuan thousands unless otherwise stated)

	<i>Notes</i>	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	277,155	285,510
Right-of-use assets	13	212,683	214,143
Investment properties	13	227,260	264,124
Intangible assets	13	3,213	3,748
Other receivables	16	11,554	11,563
Deferred income tax assets		344,957	349,805
Investments accounted for using the equity method	12	328	43,671
		1,077,150	1,172,564
Current assets			
Inventories		921	1,173
Contract costs	5	130,402	120,468
Properties under development	14	7,197,531	7,330,809
Completed properties held for sale	15	1,250,129	1,347,186
Trade and other receivables and prepayments	16	1,397,598	1,481,623
Prepaid taxes	17	151,860	148,781
Restricted cash	18	526,248	697,625
Cash and cash equivalents	19	191,714	187,025
		10,846,403	11,314,690
Assets classified as held for sale	12	35,793	–
		10,882,196	11,314,690
Total assets		11,959,346	12,487,254

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

	<i>Notes</i>	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	20	14,746	14,746
Other reserves	21	1,495,470	1,546,983
Retained earnings	21	308,101	685,381
		1,818,317	2,247,110
Non-controlling interests		1,426,721	1,470,913
Total equity		3,245,038	3,718,023
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		229,242	200,280
Bank and other borrowings	22	767,675	1,831,420
Lease liabilities		67,502	58,073
		1,064,419	2,089,773
Current liabilities			
Bank and other borrowings	22	2,702,983	1,797,073
Trade and other payables	23	1,430,430	1,647,784
Contract liabilities	5	3,126,315	2,837,108
Lease liabilities		5,573	4,186
Current income tax liabilities		384,588	393,307
		7,649,889	6,679,458
Total liabilities		8,714,308	8,769,231
Total equity and liabilities		11,959,346	12,487,254

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 27 to 68 were approved by the Board of Directors on 30 August 2023 and were signed on its behalf.

CHAN Sze Ming Michael
Director

LIU Huaxi
Director

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company				Non-controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
Six months ended 30 June 2023 (Unaudited)						
Balance at 1 January 2023	14,746	1,546,983	685,381	2,247,110	1,470,913	3,718,023
Comprehensive loss						
– Loss for the period	–	–	(377,280)	(337,280)	(44,192)	(421,472)
– Other comprehensive loss	–	(51,513)	–	(51,513)	–	(51,513)
Total comprehensive loss	–	(51,513)	(377,280)	(428,793)	(44,192)	(472,985)
Balance at 30 June 2023	14,746	1,495,470	308,101	1,818,317	1,426,721	3,245,038
Six months ended 30 June 2022 (Unaudited)						
Balance at 1 January 2022	14,746	1,687,351	1,407,730	3,109,827	1,669,012	4,778,839
Comprehensive loss						
– Loss for the period	–	–	(185,787)	(185,787)	(119,601)	(305,388)
– Other comprehensive loss	–	(61,081)	–	(61,081)	–	(61,081)
Total comprehensive loss	–	(61,081)	(185,787)	(246,868)	(119,601)	(366,469)
Transactions with owners in their capacity as owners:						
Dividends declared	–	(15,968)	–	(15,968)	–	(15,968)
Total transactions with owners	–	(15,968)	–	(15,968)	–	(15,968)
Balance at 30 June 2022	14,746	1,610,302	1,221,943	2,846,991	1,549,411	4,396,402

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB Yuan thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2023 Unaudited RMB'000	2022 Unaudited RMB'000
Cash flows from operating activities			
Cash generated from operations		581,090	407,602
Income tax paid		(23,939)	(73,011)
Interest paid		(138,104)	(153,828)
Net cash generated from operating activities		419,047	180,763
Cash flows from investing activities			
Purchases of property, plant and equipment		(506)	(1,502)
Proceeds from disposal of property, plant and equipment		8	19,843
Purchases of intangible assets		–	(1,522)
Proceeds from disposal of investment properties		16,838	–
Net cash inflow from disposal of a subsidiary, net of cash disposed of		676	–
Net cash inflow from disposal of an associate, net of cash disposed of		30,000	–
Dividends received from an associate		–	30,000
Cash advanced to related parties and non-controlling interests		(82,593)	(85,309)
Purchases of financial assets at fair value through profit or loss		(40,016)	(125,000)
Proceeds from disposal of financial assets at fair value through profit or loss		40,027	125,049
Interest received		2,514	3,850
Net cash used in investing activities		(33,052)	(34,591)
Cash flows from financing activities			
Proceeds from borrowings		–	151,279
Repayments of borrowings		(231,257)	(446,587)
Repayments to non-controlling interests		(147,875)	(400,095)
Increase in restricted cash for securing bank borrowings		–	(26,000)
Lease payments		(2,357)	(2,924)
Net cash used in financing activities		(381,489)	(724,327)
Net increase/(decrease) in cash and cash equivalents			
Exchange gains on cash and cash equivalents		183	6,845
Cash and cash equivalents at beginning of period		187,025	1,030,394
Cash and cash equivalents at end of period	19	191,714	459,084

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.



NOTES TO THE INTERIM FINANCIAL INFORMATION

(All amounts in RMB Yuan thousands unless otherwise stated)

1 General information

JY Grandmark Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 2 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket square, Hutchins Drive, PO Box 2618, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “**Group**”) are principally engaged in property development, property management, hotel operations and commercial property investment in the People’s Republic of China (the “**PRC**”).

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 December 2019.

These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

The interim financial information has not been audited.

2 Basis of preparation and accounting policies

The interim financial information has been prepared in accordance with HKAS 34 “Interim Financial Reporting”. The interim financial information should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

(a) Going concern basis

For the six months ended 30 June 2023, the Group recorded a net loss of RMB421 million. As at 30 June 2023, the Group had total bank and other borrowings of RMB3,471 million, of which RMB2,703 million were current bank and other borrowings repayable within 12 months, while the Group’s cash and cash equivalents amounted to RMB192 million.

The Group did not fulfill one of the financial covenants as required by the agreement of a syndicated loan (the “**Syndicated Loan**”) amounting to RMB475 million as at 30 June 2023, which constituted an event of default and resulted in the Syndicated Loan becoming immediately repayable if requested by the lenders. Consequently, the non-current portion of the Syndicated Loan amounting to RMB387 million with the original contractual repayment dates beyond 30 June 2024 was reclassified and presented as current liabilities.

Due to the slow down of Mainland China property market in first half of 2023, the Group’s operations had experienced a decline in the business of property development and sales. The pre-sales and sales volumes, amounts and collection of pre-sale and sales proceeds continue to decrease which failed to meet management’s expectation for the six months ended 30 June 2023.

The business of the Group is subject to extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(a) Going concern basis (continued)

All of the above events and conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position:

- (i) Subsequent to 30 June 2023, the Group successfully obtained written waiver from the lenders of the Syndicated Loan to waive the requirement from compliance with the relevant financial covenant for the year ending 31 December 2023. The Group will continue to monitor its compliance with these covenant requirements before the expiry, which is 29 December 2025, of the Syndicated Loan. Should the Group be unable to comply with any covenant requirements, management of the Group will discuss and negotiate with the respective lenders and will seek to obtain a waiver of compliance with the covenant requirements from the lenders or to agree with the respective lenders to revise the terms and covenant requirements, if needed;
- (ii) In January 2023, the Group successfully exchanged its senior notes with an aggregate principal amount of United States Dollars ("**US\$**")152 million (equivalent to RMB1,024 million) due on 26 January 2023 with a newly issued senior note of the same amount due on 11 January 2024 (the "**New Senior Notes**"). The Group will closely monitor its liquidity position to satisfy the repayment of the New Senior Notes by the due date and will also negotiate with the lenders to seek their agreement for further extended maturity, if needed;
- (iii) The Group had unutilised uncommitted project loan facilities of RMB256 million as at 30 June 2023. The Group will also negotiate with the banks to extend such facilities and to secure new facilities to provide sufficient funding for the Group's project related payments or other operating expenditures. The Directors are of the opinion that such banking facilities will be successfully renewed when they expire;
- (iv) The Group will continue to actively adjust pre-sales and sales activities to better respond to market needs, and make efforts to achieve the latest budgeted pre-sales and sales volumes and amounts. The Group will also continue to implement plans and measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of outstanding sales proceeds;



NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(a) Going concern basis (continued)

- (v) As at 30 June 2023, the Group's restricted cash amounted to RMB526 million, which mainly represented the restricted pre-sale proceeds in designated bank accounts and can be used to settle certain construction payables or project loans subject to the approval of the local State-Owned Land and Resource Bureau. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, so that the Group is able to release restricted cash to meet its other financial obligations; and
- (vi) The Group will also continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating expenditure.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2023. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2023. Accordingly, the Directors consider that it is appropriate to prepare the interim condensed consolidated financial information on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cashflows through:

- (i) Continuous compliance the terms and conditions of the bank and other borrowings and, where applicable, successful negotiation with the lenders to obtain waiver or to revise the terms and conditions of the borrowings for the continuous compliance thereof as and when needed;
- (ii) Successful and timely extension and renewal of its banking facilities and its bank and other borrowings, including project loans and the Group's senior notes, upon maturity as well as obtaining new financing from financial institutions; in particular the successful negotiation with the lenders to secure their agreement to exchange the Group's New Senior Notes maturing in January 2024 with new senior notes with further extended maturity. The Group's ability to obtain these financing depends on (1) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; (2) whether the lenders of existing borrowings agree the terms and conditions for such extension or renewal; and (3) the Group's ability to continuously comply with the relevant terms and conditions of its bank and other borrowings including the senior notes;
- (iii) Successfully adjust pre-sales and sales activities to achieve budgeted pre-sales and sales volumes and amounts, and successful implementation of the plans and measures to accelerate the pre-sales and sales of properties under developments and completed properties held for sale, and timely collection of the relevant sales proceeds;

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(a) Going concern basis (continued)

- (iv) Successful completion and delivery of properties to the customers on schedule such that restricted pre-sale proceeds in the designated bank accounts will be released to meet its other financial obligations as planned; and
- (v) Successful in obtaining other additional sources of financing other than those mentioned above as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in this interim condensed consolidated financial information.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements, except the adoption of new and amended standards and interpretation as described below.

(i) New and amended standards and interpretation adopted by the Group

HKFRS 17	Insurance contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of new and amended standards and interpretation did not have any material impact on the interim financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Basis of preparation and accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) New standards and amendments not yet adopted

The following new standards and amendments have been published that are not mandatory for the six months ended 30 June 2023 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	Originally 1 January 2022, but extended to 1 January 2024 by the HKICPA
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements (amendments)	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate and joint venture	To be determined
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies “Classification of Liabilities as Current or Non-current – Amendments to HKAS 1”

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Estimates

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2022, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

4 Financial risk management

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks), credit risk and liquidity risk.

The interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2022.

There have been no changes in the risk management department or in any risk management policies since year end.

5 Revenue and segment information

(a) Description of segments and principal activities

The executive directors, as the chief operating decision-maker (the "CODM") of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is organised into four business segments: property development and sales, commercial property investment, hotel operations and property management.

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC, and the Group's consolidated non-current assets are substantially located in the PRC, no geographical information is presented.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2023 is as follows:

	Property development and sales Unaudited RMB'000	Commercial property investment Unaudited RMB'000	Hotel operations Unaudited RMB'000	Property management Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue	271,420	–	35,671	20,674	327,765
Recognised at a point in time	271,420	–	–	–	271,420
Recognised over time	–	–	35,671	20,674	56,345
Revenue from other sources:					
rental income	–	7,230	–	–	7,230
Inter-segment revenue	–	(4,038)	(82)	(5,034)	(9,154)
Revenue from external customers	271,420	3,192	35,589	15,640	325,841
Gross profit/(loss) before impairment losses on completed properties held for sale and properties under development	46,892	3,019	(1,509)	421	48,823
Net impairment losses on completed properties held for sale and properties under development	(341,524)	–	–	–	(341,524)
Gross (loss)/profit after impairment losses on completed properties held for sale and properties under development	(294,632)	3,019	(1,509)	421	(292,701)
Selling and marketing expenses					(31,746)
Administrative expenses					(40,548)
Net impairment reversals on financial assets					23,419
Other income					8,755
Other expenses					(139)
Other losses – net					(27,590)
Finance costs – net					(13,203)
Share of loss of investments accounted for using the equity method (Note 12)	(7,550)	–	–	–	(7,550)
Loss before income tax					(381,303)
Income tax expense					(40,169)
Loss for the period					(421,472)
Depreciation and amortisation recognised as expenses	7,373	–	6,965	126	14,464
Fair value losses on investment properties – net (Note 13)	–	(3,977)	–	–	(3,977)

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

The segment information provided to the executive directors for the reportable segments for the six months ended 30 June 2022 is as follows:

	Property development and sales Unaudited RMB'000	Commercial property investment Unaudited RMB'000	Hotel operations Unaudited RMB'000	Property management Unaudited RMB'000	Total Unaudited RMB'000
Segment revenue	259,853	–	32,658	19,101	311,612
Recognised at a point in time	259,853	–	–	–	259,853
Recognised over time	–	–	32,658	19,101	51,759
Revenue from other sources:					
rental income	–	9,796	–	–	9,796
Inter-segment revenue	–	(6,565)	(231)	(6,444)	(13,240)
Revenue from external customers	259,853	3,231	32,427	12,657	308,168
Gross profit before impairment losses on completed properties held for sale and properties under development	55,262	2,986	1,574	1,593	61,415
Net impairment losses on completed properties held for sale and properties under development	(276,942)	–	–	–	(276,942)
Gross (loss)/profit after impairment losses on completed properties held for sale and properties under development	(221,680)	2,986	1,574	1,593	(215,527)
Selling and marketing expenses					(37,769)
Administrative expenses					(55,928)
Net impairment losses on financial assets					(2,121)
Other income					1,798
Other expenses					(10,125)
Other losses – net					(4,440)
Finance costs – net					(13,378)
Share of profit of investments accounted for using the equity method (Note 12)	4,008	–	–	–	4,008
Loss before income tax					(333,482)
Income tax expense					28,094
Loss for the period					(305,388)
Depreciation and amortisation recognised as expenses	7,250	–	7,267	137	14,654
Fair value losses on investment properties – net (Note 13)	–	(3,669)	–	–	(3,669)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the interim condensed consolidated statement of comprehensive income.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

The segment assets and liabilities provided to the executive directors for the reportable segments as at 30 June 2023 is as follows:

	Property development and sales Unaudited RMB'000	Commercial property investment Unaudited RMB'000	Hotel operations Unaudited RMB'000	Property management Unaudited RMB'000	Total Unaudited RMB'000
Segment assets	11,130,925	227,260	244,672	11,532	11,614,389
Segment assets include:					
Investments accounted for using the equity method (<i>Note 12</i>)	328	–	–	–	328
Addition to non-current assets (other than financial assets and deferred income tax assets)	15,635	–	430	19	16,084
Segment liabilities	4,574,094	1,229	19,410	35,087	4,629,820

The segment assets and liabilities provided to the executive directors for the reportable segments as at 31 December 2022 is as follows:

	Property development and sales Audited RMB'000	Commercial property investment Audited RMB'000	Hotel operations Audited RMB'000	Property management Audited RMB'000	Total Audited RMB'000
Segment assets	11,607,873	264,124	252,525	12,927	12,137,449
Segment assets include:					
Investments accounted for using the equity method (<i>Note 12</i>)	43,671	–	–	–	43,671
Addition to non-current assets (other than financial assets and deferred income tax assets)	2,448	–	26,055	70	28,573
Segment liabilities	4,472,569	21,021	19,145	34,416	4,547,151

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

For the six months ended 30 June 2023 and 2022, no single external customer's transaction generated revenue accounting for 10% or more of the Group's total revenue.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

(i) Segment assets

The amounts provided to the executive directors with respect to segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets are not considered to be segment assets but rather are managed on a central basis.

Segment assets are reconciled to total assets as follows:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Segment assets	11,614,389	12,137,449
Unallocated:		
– Deferred income tax assets	344,957	349,805
Total assets	11,959,346	12,487,254

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

(ii) Segment liabilities

The amounts provided to the executive directors with respect to segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's current and deferred income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Segment liabilities are reconciled to total liabilities as follows:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Segment liabilities	4,629,820	4,547,151
Unallocated:		
– Current income tax liabilities	384,588	393,307
– Deferred income tax liabilities	229,242	200,280
– Short-term borrowings and current portion of long-term borrowings	2,702,983	1,797,073
– Long-term borrowings	767,675	1,831,420
Total liabilities	8,714,308	8,769,231

(c) Assets and liabilities related to contracts with customers

(i) The Group has recognised the following assets related to contracts with customers:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Sale commissions	130,402	120,468

Management expects the incremental costs, only including sale commissions, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the six months ended 30 June 2023, the amount of amortisation was RMB14,082,000 (six months ended 30 June 2022: RMB17,208,000). There was no impairment loss in relation to the costs capitalised.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(c) Assets and liabilities related to contracts with customers (continued)

(ii) The Group has recognised the following liabilities related to contracts with customers:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Contract liabilities related to sales of properties	3,110,710	2,819,312
Contract liabilities related to others	15,605	17,796
	3,126,315	2,837,108

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

(iii) The following table shows how much of the revenue recognised for the six months ended 30 June 2023 and 2022 related to carried-forward contract liabilities:

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period		
Sales of properties	180,452	63,098
Others	9,368	7,560
	189,820	70,658

(iv) The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as at 30 June 2023 and 2022.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

6 Expenses by nature

Expenses by nature included in cost of sales, selling and marketing expenses, administrative expenses and net impairment losses on completed properties held for sale and properties under development are analysed as follows:

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Net impairment losses on completed properties held for sale and properties under development	341,524	276,942
Cost of properties sold – including construction cost, land cost and interest cost	224,431	194,271
Employee benefit expenses (including directors' emoluments)	42,927	55,036
Employee benefit expenditure – including directors' emoluments	49,481	61,663
Less: capitalised in properties under development	(6,554)	(6,627)
Commission fees	14,082	17,208
Hotel operations expenses	16,381	15,014
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	14,464	14,654
Advertising costs	10,212	7,962
Entertainment expenses	3,738	6,735
Taxes and other levies	5,566	4,698
Professional consulting fees	1,232	5,884
Office and travelling expenses	2,159	2,934
Auditor's remuneration	900	900
Others	13,220	15,154
Total	690,836	617,392

7 Other losses – net

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Interest on financial assets at fair value through profit or loss	11	49
(Losses)/gains on disposals of investment properties and property, plant and equipment	(16,053)	8,710
Fair value losses on investment properties (Note 13)	(3,977)	(3,669)
Net impairment losses on right-of-use assets (Note 13)	(8,584)	–
Gains on termination of leases	627	–
Net foreign exchange gains/(losses)	386	(9,530)
	(27,590)	(4,440)

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

8 Finance costs – net

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Finance costs		
– Interest expense on bank and other borrowings	158,291	152,715
– Interest expense on leases	1,516	1,543
– Net exchange losses on foreign currency borrowings	907	7,434
Less:		
– Interest capitalised	(144,997)	(144,464)
	15,717	17,228
Finance income		
– Interest income from bank deposits	(2,514)	(3,850)
Finance costs – net	13,203	13,378

9 Income tax expense

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Current income tax		
– Corporate income tax	5,607	5,648
– Land appreciation tax	752	1,888
	6,359	7,536
Deferred income tax		
– Corporate income tax	33,810	(35,630)
	40,169	(28,094)



NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

9 Income tax expense (continued)

(a) PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group's entities located in Mainland China is 25%.

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the Mainland China in the foreseeable future.

(b) PRC land appreciation tax ("LAT")

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, 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 appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(d) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in this interim condensed consolidated financial information as the Group's companies did not have assessable profit in Hong Kong for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

10 Loss per share

Loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Loss attribute to owners of the Company (RMB'000)	(377,280)	(185,787)
Weighted average number of ordinary shares in issue (in thousand)	1,646,173	1,646,173
Loss per share – basic (RMB per share)	(0.23)	(0.11)
Loss per share – diluted (RMB per share)	(0.23)	(0.11)

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

11 Dividend

The board of directors of the Company has resolved not to declare the payment of interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

12 Investments accounted for using the equity method

The amounts recognised in the statement of financial position are as follows:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
	Investments in a joint venture <i>(Note(a)(i))</i>	–
Investments in associates	328	43,671
	328	43,671

The amounts recognised in the statement of comprehensive income are as follows:

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
A joint venture <i>(Note(a))</i>	–	–
Associates <i>(Note(b))</i>	(7,550)	4,008
	(7,550)	4,008

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

12 Investments accounted for using the equity method (continued)

(a) A joint venture

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Opening balances	–	–
Additions	–	–
Share of results	–	–
Ending balances	–	–

- (i) The Group's interest in a joint venture is accounted using equity method. As at 30 June 2023, the Group's shares of losses of a joint venture exceeds its interests in the underlying entities, and the unrecognised share of losses of the joint venture amounted to RMB52,976,000 (31 December 2022: RMB44,865,000).

(b) Associates

The movement of investment in associates is as follows:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Opening balances	43,671	140,394
Addition	–	–
Dividends received	–	(65,000)
Share of results	(7,550)	3,037
Realisation of unrealised profits	–	862
Disposal of an associate	–	(35,622)
Transfer to assets classified as held for sale (i)	(35,793)	–
Ending balances	328	43,671

- (i) On 21 June 2023, the Group, Guangzhou Tianhan Investment Co., Ltd. and Shenzhen Zhongzhou Land Co., Ltd. ("**Transferors**") entered into the transfer contract with Guangzhou Kejun Enterprise Management Partnership (Limited Partnership) ("**Transferee**") pursuant to which, the Transferors have conditionally agreed to transfer to the Transferee their 49% of the equity interest in the Guangzhou Zhujing Real Estate Co., Ltd. ("**Guangzhou Zhujing**") at an aggregate consideration of approximately RMB166 million. The transaction will be completed in one year.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

13 Property, plant and equipment, right-of-use assets, investment properties and intangible assets

	Property, plant and equipment RMB'000	Right-of-use assets RMB'000	Investment properties RMB'000	Intangible assets RMB'000
Six months ended 30 June 2023 (Unaudited)				
Opening net book amount as at 1 January 2023	285,510	214,143	264,124	3,748
Additions	506	15,578	–	–
Disposals	(12)	(3,489)	(32,887)	–
Depreciation/amortisation charges	(8,898)	(5,119)	–	(535)
Fair value changes	–	–	(3,977)	–
Impairment loss	–	(8,584)	–	–
Exchange difference	49	154	–	–
Closing net book amount as at 30 June 2023	277,155	212,683	227,260	3,213
Six months ended 30 June 2022 (Unaudited)				
Opening net book amount as at 1 January 2022	288,664	248,953	280,044	3,232
Additions	1,502	–	–	1,522
Disposals	(11,133)	–	–	–
Depreciation/amortisation charges	(9,389)	(4,812)	–	(551)
Fair value changes	–	–	(3,669)	–
Exchange difference	74	73	–	–
Closing net book amount as at 30 June 2022	269,718	244,214	276,375	4,203

- (a) As at 30 June 2023, property, plant and equipment with net book amounts totalling RMB230,875,000 (31 December 2022: RMB236,865,000), right-of-use assets of RMB11,905,000 (31 December 2022: RMB12,177,000) and investment properties of RMB172,714,000 (31 December 2022: RMB173,124,000) were pledged as collateral for the Group's bank and other borrowings (Note 22).
- (b) As at 30 June 2023, property, plant and equipment mainly comprised hotels of RMB230,875,000 (31 December 2022: RMB236,865,000) which are located in the PRC.
- (c) As at 30 June 2023 and 31 December 2022, right-of-use assets mainly comprise the prepaid leases of land contracting fee on agricultural land and forest land, which are amortised under the contracting terms.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

13 Property, plant and equipment, right-of-use assets, investment properties and intangible assets (continued)

(d) Details of investment properties are as follows:

	Property category	Fair value at 30 June 2023	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office, retail properties	172,714,000	Term and reversionary method	Market rents (RMB/square metre)	100-222	The higher the market price, the higher the fair value
				Term and reversionary yields	4.00%-4.50%	The higher the term yields, the lower the fair value
	Retail properties	3,546,000	Direct comparison	Market price (RMB/square metre)	8,915	The higher the market price, the higher the fair value
Investment properties under construction	Land located in Lianhuashan Town, Panyu District, Guangzhou Province, the PRC	31,000,000	Direct comparison	Market price (RMB/square metre)	1,900	The higher the market price, the higher the fair value
	Land located in Nancun Town, Panyu District, Guangzhou Province, the PRC	5,700,000	Direct comparison	Market price (RMB/square metre)	2,500	The higher the market price, the higher the fair value
	Buildings	14,300,000	Term and reversionary method	Market rents (RMB/square metre)	27	The higher the market price, the higher the fair value
				Term and reversionary yields	5.00%	The higher the term yields, the lower the fair value

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

13 Property, plant and equipment, right-of-use assets, investment properties and intangible assets (continued)

(d) Details of investment properties are as follows: (continued)

	Property category	Fair value at 31 December 2022	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office, retail properties	173,124,000	Term and reversionary method	Market rents (RMB/square metre)	100-223	The higher the market price, the higher the fair value
				Term and reversionary yields	4.00%-4.50%	The higher the term yields, the lower the fair value
	Retail properties	40,000,000	Term and reversionary method	Market rents (RMB/square metre)	91-96	The higher the market price, the higher the fair value
				Term and reversionary yields	3.50%-4.25%	The higher the term yields, the lower the fair value
Investment properties under construction	Land located in Lianhuashan Town, Panyu District, Guangzhou Province, the PRC	31,000,000	Direct comparison	Market price (RMB/square metre)	1,873	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Land located in Nancun Town, Panyu District, Guangzhou Province, the PRC	5,700,000	Direct comparison	Market price (RMB/square metre)	2,466	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
Buildings	14,300,000	Term and reversionary method	Market rents (RMB/square metre)	26	The higher the market price, the higher the fair value	
			Term and reversionary yields	5.00%	The higher the term yields, the lower the fair value	

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

14 Properties under development

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Properties under development expected to be completed:		
– Land use rights	4,929,598	4,986,531
– Contractual rights of land (Note (a))	184,035	177,492
– Construction costs	1,785,915	1,753,750
– Interests capitalised	851,894	739,563
	7,751,442	7,657,336
Less: provision for impairment of properties under development	(553,911)	(326,527)
	7,197,531	7,330,809

- (a) Contractual rights of land mainly represents the construction land acquired from the collective economic organisations, which will be transferred to land use rights in near future.
- (b) Properties under development are located in the PRC and expected to be completed, and available for sale within normal operating cycle.
- (c) The capitalisation rate of borrowings for the six months ended 30 June 2023 is 7.88% (six months ended 30 June 2022: 6.43%).
- (d) As at 30 June 2023 properties under development with net book value of RMB1,753,778,000 (31 December 2022: RMB1,763,960,000), were pledged as collateral for the Group's bank and other borrowings (Note 22).
- (e) As at 30 June 2023, the balance of provision in respect of write-down of the properties under development was amounted to RMB553,911,000 (31 December 2022: RMB326,527,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Completed properties held for sale

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Completed properties held for sale developed by the Group:		
Land use rights	371,664	364,408
Construction costs	1,025,870	1,048,835
Interest capitalised	116,952	85,787
	1,514,486	1,499,030
Less: provision for impairment of completed properties held for sale	(264,357)	(151,844)
	1,250,129	1,347,186

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

As at 30 June 2023, completed properties held for sale with net book value of RMB811,455,000 (31 December 2022: RMB871,823,000), were pledged as collateral for the Group's bank and other borrowings (Note 22).

As at 30 June 2023, the balance of provision in respect of write-down of the completed properties held for sale was amounted to RMB264,357,000 (31 December 2022: RMB151,844,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Trade and other receivables and prepayments

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Included in current assets:		
Trade receivables – third parties (<i>Note (a)</i>)	45,476	46,855
Trade receivables – related parties (<i>Note (a)</i>)	157	371
Other receivables – third parties (<i>Note (b)</i>)	167,111	331,611
Other receivables – non-controlling interests (<i>Note (b)</i>)	578,129	543,180
Other receivables – related parties (<i>Note (b)</i>)	254,203	197,943
Prepayments for acquisition of land use rights (<i>Note (c)</i>)	313,061	342,561
Other prepayments (<i>Note (d)</i>)	62,909	73,678
	1,421,046	1,536,199
Less: impairment	(11,894)	(43,013)
Total	1,409,152	1,493,186
Less: non-current portion	(11,554)	(11,563)
Current portion	1,397,598	1,481,623

As at 30 June 2023 and 31 December 2022, the fair value of trade and other receivables approximated their carrying amounts.

As at 30 June 2023, trade receivables with net book value of RMB1,882,000 (31 December 2022: RMB1,600,000) were pledged as collateral for the Group's bank and other borrowings (*Note 22*).

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Trade and other receivables and prepayments (continued)

(a) Details of trade receivables are as follows:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Trade receivables – third parties	45,476	46,855
Trade receivables – related parties	157	371
Less: allowance for impairment	(471)	(426)
Trade receivables – net	45,162	46,800

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

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Within one year	45,279	46,646
Over one year	354	580
	45,633	47,226

Trade receivables mainly arise from rental income, provision of construction services, hotel operations and property management services.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 30 June 2023, a provision of RMB471,000 was made against the gross amounts of trade receivables (31 December 2022: RMB426,000).

The Group's trade receivables are denominated in RMB (2022: same).

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Trade and other receivables and prepayments (continued)

(b) Details of other receivables are as follows:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Deposits for acquisition of land use rights	94,758	210,258
Other receivables due from non-controlling interests (<i>Note (i)</i>)	578,129	543,180
Other receivables due from related parties (<i>Note (ii)</i>)	254,203	197,943
Outstanding consideration receivables for disposal of an associate	–	30,000
Others	72,353	91,353
	999,443	1,072,734
Less: allowance for impairment	(11,423)	(42,587)
Other receivables – net	988,020	1,030,147

(i) Other receivables represent cash advances amounted to approximately RMB383,793,000 made to non-controlling interests, which are unsecured, interest free and repayable on demand, and the remaining amount mainly represent consideration due from a non-controlling shareholder of a subsidiary.

(ii) The balance including certain cash advances to a related party totalled approximately RMB203,350,000, which earned interest rate at 11% and are repayable on demand. The remaining balance, which is due to a related party, is interest free and repayable on demand.

(c) Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the statement of financial position when the Group obtains contractual usage rights of the relevant lands.

(d) Details of other prepayments are as follows:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Prepayments for property development projects	30,290	43,714
Prepaid other taxes	13,739	11,246
Others	18,880	18,718
Other prepayments	62,909	73,678

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

17 Prepaid taxes

Details of prepaid taxes are as follows:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Corporate income taxes	19,091	19,588
Land appreciation taxes	99,753	90,395
Value added taxes	33,016	38,798
	151,860	148,781

18 Restricted cash

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Guarantee deposits for construction of pre-sold properties (<i>Note (a)</i>)	466,049	615,090
Guarantee deposits for borrowings (<i>Note (b)</i>)	26,000	26,000
Others	34,199	56,535
	526,248	697,625
Denominated in:		
– RMB	515,743	687,073
– US\$	218	211
– Hong Kong Dollars (“ HK\$ ”)	10,287	10,341
	526,248	697,625

The directors of the Group are of the view that the restricted cash listed above will be released within the normal operating cycle.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

18 Restricted cash (continued)

- (a) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can only be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.
- (b) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings.

As at 30 June 2023, the Group has placed cash deposits of approximately RMB26,000,000 (31 December 2022: RMB26,000,000) with designated banks as security for bank borrowings (Note 22).

19 Cash and cash equivalents

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Cash at bank and in hand	717,962	884,650
Less: restricted cash	(526,248)	(697,625)
Cash and cash equivalents	191,714	187,025

Cash and cash equivalents are denominated in the following currencies:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Denominated in RMB	185,636	181,063
Denominated in HK\$	5,071	4,991
Denominated in US\$	1,007	971
	191,714	187,025

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

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

20 Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Total
Authorised				
As at 30 June 2023 and 30 June 2022 (Unaudited)	<u>2,500,000,000</u>			
Issued and fully paid				
As at 30 June 2023 and 30 June 2022 (Unaudited)	1,646,173,000	HK\$16,462,000	RMB14,746,000	RMB14,746,000

21 Other reserves and retained earnings

	Combined reserves	Statutory reserve (Note (a))	Exchange difference	Total reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended 30 June 2023 (Unaudited)						
Balance at 1 January 2023	1,509,313	154,818	(117,148)	1,546,983	685,381	2,232,364
Loss for the period	-	-	-	-	(377,280)	(377,280)
Other comprehensive loss	-	-	(51,513)	(51,513)	-	(51,513)
Balance at 30 June 2023	1,509,313	154,818	(168,661)	1,495,470	308,101	1,803,571
Six months ended 30 June 2022 (Unaudited)						
Balance at 1 January 2022	1,525,281	154,328	7,742	1,687,351	1,407,730	3,095,081
Loss for the period	-	-	-	-	(185,787)	(185,787)
Dividends declared	(15,968)	-	-	(15,968)	-	(15,968)
Other comprehensive loss	-	-	(61,081)	(61,081)	-	(61,081)
Balance at 30 June 2022	1,509,313	154,328	(53,339)	1,610,302	1,221,943	2,832,245

- (a) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserves fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserves fund may be distributed to equity holders in form of bonus issue.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Bank and other borrowings

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Bank borrowings	2,287,751	2,506,186
Senior notes (<i>Note (a)</i>)	1,134,053	1,084,647
Other borrowings (<i>Note (b)</i>)	48,854	37,660
	3,470,658	3,628,493
Included in non-current liabilities:		
– Secured (<i>Notes (d) & (e)</i>)	2,208,111	2,425,313
– Unsecured (<i>Note (e)</i>)	76,000	77,000
Less: current portion of non-current liabilities	(1,516,436)	(670,893)
	767,675	1,831,420
Included in current liabilities:		
– Secured (<i>Notes (d) & (e)</i>)	3,487	3,719
– Unsecured (<i>Note (e)</i>)	1,183,060	1,122,461
Add: current portion of non-current liabilities	1,516,436	670,893
	2,702,983	1,797,073
Total borrowings	3,470,658	3,628,493

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Bank and other borrowings (continued)

- (a) On 12 January 2023, the Company issued senior notes with nominal interest rate 9.5% due 11 January 2024 in an aggregate principal amount of US\$152,100,000 (the “**2023 Notes**”). The issue of the 2023 Notes was related to the exchange offer of the existing 2022 notes amounting to US\$152,100,000. The 2023 Notes were listed on the Stock Exchange on 13 January 2023.

The above senior notes are guaranteed by certain subsidiaries of the Group.

- (b) As at 30 June 2023, two third parties offered loans to the Group, with an average interest rate of 12% per annum and the expiring date is within one year, one of which amounted to HK\$40,000,000 was guaranteed by the Company.
- (c) As at 30 June 2023, the Group’s borrowings are denominated in the following currencies:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
RMB	1,822,480	2,043,737
HK\$	514,125	500,109
US\$	1,134,053	1,084,647
	3,470,658	3,628,493

- (d) As at 30 June 2023, bank and other borrowings totalling RMB2,211,598,000 (31 December 2022: RMB2,429,032,000) of the Group were secured by the following assets together with the Group’s shares of certain subsidiaries:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Lands	11,905	12,177
Property, plant and equipment	230,875	236,865
Investment properties	173,124	173,124
Properties under development	1,753,778	1,763,960
Completed properties held for sale	811,455	871,823
Trade receivables	1,882	1,600
Restricted cash	26,000	26,000
	3,008,609	3,085,549

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

22 Bank and other borrowings (continued)

- (e) The Group's unsecured borrowings of RMB1,259,060,000 (31 December 2022: RMB1,199,461,000) as at 30 June 2023 were guaranteed by certain subsidiaries or the ultimate controlling shareholder.

The Group's secured borrowings of RMB2,211,598,000 (31 December 2022: RMB2,429,032,000) as at 30 June 2023 were guaranteed by the Company, certain subsidiaries, the ultimate controlling shareholder or third parties.

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

	Six months ended 30 June	
	2023 Unaudited	2022 Unaudited
Bank borrowings	7.46%	6.24%
Senior notes	10.32%	8.34%

- (g) The carrying amounts of the borrowings approximate their fair values as at 30 June 2023 and 31 December 2022 as the impact of discounting of borrowing with fixed interest rate is not significant or the borrowings carry floating interest rate.

23 Trade and other payables

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Trade payables (Note (a))	770,170	832,347
Amounts due to non-controlling interests (Note (b))	167,349	315,224
Outstanding consideration payables for acquisitions	22,440	35,195
Deposits payable (Note (c))	8,002	10,641
Factoring of trade payables	120,284	156,825
Accrued expenses	40,172	47,928
Salaries payable	8,054	12,125
Other taxes payable	217,579	188,207
Other payables (Note (d))	76,380	49,292
	1,430,430	1,647,784

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

23 Trade and other payables (continued)

(a) Aging analysis of trade payables based on recognition dates is as follows:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Within 90 days	114,056	290,056
Over 90 days and within 365 days	188,470	235,994
Over 365 days	467,644	306,297
	770,170	832,347

The Group's trade payables as at 30 June 2023 is denominated in RMB, US\$ and HK\$.

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
RMB	768,994	831,213
US\$	1,018	981
HK\$	158	153
	770,170	832,347

- (b) Amounts due to non-controlling interests are interest free and repayable on demand.
- (c) The deposits payables mainly include: (i) the deposits from property purchasers of the Group; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured, interest free and repayable according to terms and conditions mutually agreed with the counter parties.
- (d) Other payables mainly represent payables to third parties, maintenance funds which are unsecured, interest free and repayable on demand, and provision for guarantee (*Note 24 (b)*).

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

24 Guarantee

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Guarantee in respect of mortgage facilities for certain purchasers (<i>Note (a)</i>)	2,121,325	2,084,461
Guarantees for a joint venture (<i>Note (b)</i>)	358,000	361,875
Guarantees for assets classified as held for sale (<i>Note (c)</i>)	302,880	310,700

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages.

The Group considers that in case of default in payments by purchasers, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) As at 30 June 2023, the Group had provided guarantees for borrowings of the Group's joint venture amounting to RMB358,000,000 (31 December 2022: RMB361,875,000), with a provision amounting to RMB7,700,000 has been made in the financial statements for the guarantee.
- (c) As at 30 June 2023, the Group had provided guarantees for other payables of the Group's associate amounting to RMB302,880,000 (31 December 2022: RMB310,700,000). The Group's investment in the associate was classified as assets held for sale as at 30 June 2023.

In the opinion of the Directors, the fair values of the financial guarantee contract for the associate of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the party involved is remote, and therefore no provision has been made in the financial statements for the guarantee.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

25 Commitments

Commitments for property development expenditure:

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Contracted but not provided for: Property development activities	1,274,693	1,319,279

26 Related party transactions

The ultimate holding company of the Company is Sze Ming Limited, and the ultimate controlling shareholder of the Company is CHAN Sze Ming Michael, who owns 72.9% of the Company's shares.

(a) Name and relationship with related parties

Name	Relationship
CHAN Sze Ming Michael	Ultimate controlling shareholder
Guangzhou Zhujing	Associate of the Group
Nanjing Longguang Jingye Property Service Co., Ltd.* ("Nanjing Longguang")	Associate of the Group
Zhongshan Jingyue Investment Co., Ltd.* ("Zhongshan Jingyue")	Joint venture of the Group

* The English names of the related parties represents the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

26 Related party transactions (continued)

(b) Transactions with related parties

The Group had the following transactions with related parties for the six months ended 30 June 2023:

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
(i) Guarantee provided by shareholder in respect of borrowings outstanding – ultimate controlling shareholder	1,066,871	1,133,764
(ii) Rendering of property management services – Guangzhou Nansha Donghuzhou Real Estate Development Co., Ltd. (“Donghuzhou”)	–	789
(iii) Rendering of management consultancy services – Donghuzhou	–	8,652
(iv) Property management service fee charged by – Nanjing Longguang	327	1,304
(v) Rendering of interest income – Guangzhou Zhujing	8,128	–

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

26 Related party transactions (continued)

(c) Balances with related parties

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Amounts due from related parties		
Trade balances		
– Guangzhou Zhujing	157	371
	157	371
Non-trade balances		
– Zhongshan Jingyue (Note (i))	50,853	50,853
– Guangzhou Zhujing	203,350	147,090
	254,203	197,943
Total amounts due from related parties	254,360	198,314

- (i) Amounts due from Guangzhou Zhujing represent the cash advances which are unsecured and repayable on demand, and the amount due from other related parties mainly represent the cash advances which are unsecured, interest-free and repayable on demand.

	As at 30 June 2023 Unaudited RMB'000	As at 31 December 2022 Audited RMB'000
Providing guarantees to related parties		
– Zhongshan Jingyue	358,000	361,875
– Guangzhou Zhujing	302,880	310,700
	660,880	672,575

NOTES TO THE INTERIM FINANCIAL INFORMATION (CONTINUED)

(All amounts in RMB Yuan thousands unless otherwise stated)

26 Related party transactions (continued)

(d) Key management compensation

Key management compensation for the six months ended 30 June 2023 and 2022 are set out below:

	Six months ended 30 June	
	2023 Unaudited RMB'000	2022 Unaudited RMB'000
Key management compensation		
– Salaries and other employee benefits	4,843	5,227
– Pension costs	25	27
	4,868	5,254

INDEPENDENT AUDITOR'S REPORT

(All amounts in RMB thousands unless otherwise stated)



羅兵咸永道

To the Shareholders of JY Grandmark Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of JY Grandmark Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 102 to 207, comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) 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 (“**HKSAs**”) issued by the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1(c) to the consolidated financial statements, which states that, for the year ended 31 December 2022, the Group's revenue amounted to RMB513 million, representing a decrease of 75% from RMB2,043 million for the year ended 31 December 2021 and the Group recorded a net loss of RMB888 million. As at 31 December 2022, the Group had total bank and other borrowings of RMB3,628 million, of which RMB1,797 million were current bank and other borrowings repayable within 12 months, while the Group's cash and cash equivalents amounted to RMB187 million. These events and conditions, along with other matters as set out in Note 2.1(c), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

The key audit matter identified in our audit is summarised as follows:

- Assessment of net realisable value ("NRV") of properties under development ("PUD") and completed properties held for sale ("PHS")

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of NRV of PUD and PHS</p> <p>Refer to notes 2.17, 4(a), 21 and 22 to the consolidated financial statements.</p> <p>PUD and PHS amounted to RMB7,330,809,000 and RMB1,347,186,000 respectively as at 31 December 2022, which in aggregate accounted for approximately 69% of the Group's total assets. PUD and PHS are stated at the lower of cost and NRV. NRV is determined by reference to the estimated selling price based on prevailing market conditions less variable selling expenses and, for PUD, estimated costs to completion.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <p>(i) We obtained an understanding of management's internal control and assessment process of the NRV of PUD and PHS, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity of assessment and subjectivity of significant assumptions and data used;</p> <p>(ii) We evaluated and tested management's key internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion of PUD;</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision of impairment of RMB478,371,000 was made for PUD and PHS based on management's assessment as at 31 December 2022.</p> <p>We focused on NRV assessment because PUD and PHS are major assets of the Group and the determination of NRV involved significant estimates on the selling prices, variable selling expenses and estimated costs to completion of PUD.</p>	<p>(iii) We selected, on a sample basis, PUD and PHS projects and challenged management's estimates when determining the NRV of PUD and PHS by:</p> <ul style="list-style-type: none">• Comparing the estimated selling price to the most recent market transactions by making reference to the Group's selling price for the PUD and PHS or the prevailing market price of similar type of properties in similar locations;• Comparing the ratio of estimated variable selling expenses to the selling price with the Group's historical ratio to assess whether the estimated variable selling expenses were within a reasonable range; and• Assessing the Group's estimates of the anticipated costs to completion for PUD by reconciling the actual costs incurred to approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar type of properties in similar locations. <p>We found that management's estimates used in the assessment of NRV of PUD and PHS are properly supported by available evidences.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 HKFRSs issued by the HKICPA 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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 HKSAs 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 HKSAs, we exercise professional judgment 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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 Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in RMB thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	5	513,310	2,043,126
Cost of sales	6	(439,704)	(1,459,901)
Gross profit before impairment losses on completed properties held for sale and properties under development		73,606	583,225
Net impairment losses on completed properties held for sale and properties under development	6	(679,553)	–
Gross (loss)/profit after impairment losses on completed properties held for sale and properties under development		(605,947)	583,225
Selling and marketing expenses	6	(66,331)	(153,328)
Administrative expenses	6	(117,509)	(138,088)
Net impairment losses on financial assets		(36,869)	(5,837)
Other income	7	14,326	21,567
Other expenses	8	(872)	(1,223)
Other (losses)/gains – net	9	(200,513)	33,430
Operating (loss)/profit		(1,013,715)	339,746
Finance costs	11	(28,731)	(18,071)
Finance income	11	6,760	18,430
Finance (costs)/income – net	11	(21,971)	359
Share of profit of investments accounted for using the equity method	16	3,037	23,634
(Loss)/profit before income tax		(1,032,649)	363,739
Income tax expense	12	144,824	(164,916)
(Loss)/profit for the year		(887,825)	198,823
(Loss)/profit attributable to:			
Owners of the Company		(721,859)	216,446
Non-controlling interests		(165,966)	(17,623)
		(887,825)	198,823
Other comprehensive (loss)/income for the year			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		(124,890)	28,681
Other comprehensive (loss)/income for the year, net of tax		(124,890)	28,681
Total comprehensive (loss)/income for the year		(1,012,715)	227,504
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(846,749)	245,127
Non-controlling interests		(165,966)	(17,623)
		(1,012,715)	227,504
(Losses)/earnings per share (expressed in RMB per share)			
– Basic and diluted (losses)/earnings per share	13	(0.44)	0.13

The notes on pages 107 to 207 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(All amounts in RMB thousands unless otherwise stated)

	Notes	As at 31 December	
		2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	285,510	288,664
Right-of-use assets	18	214,143	248,953
Investment properties	19	264,124	280,044
Intangible assets	20	3,748	3,232
Other receivables	23	11,563	11,634
Deferred income tax assets	15	349,805	176,033
Investments accounted for using the equity method	16	43,671	140,394
		1,172,564	1,148,954
Current assets			
Inventories		1,173	1,656
Contract costs	5	120,468	39,885
Properties under development	21	7,330,809	7,494,460
Completed properties held for sale	22	1,347,186	1,505,612
Trade and other receivables and prepayments	23	1,481,623	1,299,571
Prepaid taxes	24	148,781	136,467
Restricted cash	25	697,625	1,269,375
Cash and cash equivalents	26	187,025	1,030,394
		11,314,690	12,777,420
Total assets		12,487,254	13,926,374

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

		As at 31 December	
	Notes	2022	2021
		RMB'000	RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	14,746	14,746
Other reserves	28	1,546,983	1,687,351
Retained earnings	28	685,381	1,407,730
		2,247,110	3,109,827
Non-controlling interests	36	1,470,913	1,669,012
Total equity		3,718,023	4,778,839
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	200,280	198,269
Bank and other borrowings	29	1,831,420	2,256,776
Lease liabilities	34	58,073	60,203
		2,089,773	2,515,248
Current liabilities			
Bank and other borrowings	29	1,797,073	2,238,921
Trade and other payables	30	1,647,784	2,392,249
Contract liabilities	5	2,837,108	1,565,203
Lease liabilities	34	4,186	5,551
Current income tax liabilities		393,307	430,363
		6,679,458	6,632,287
Total liabilities		8,769,231	9,147,535
Total equity and liabilities		12,487,254	13,926,374

The notes on pages 107 to 207 form an integral part of these consolidated financial statements.

The financial statements on pages 102 to 207 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

CHAN Sze Ming Michael
Director

LIU Huaxi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in RMB thousands unless otherwise stated)

	Attributable to owners of the Company				Non-controlling Interests	Total
	Share capital	Other reserves	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	14,746	1,836,263	1,184,234	3,035,243	1,417,808	4,453,051
Comprehensive income						
– Profit/(loss) for the year	–	–	216,446	216,446	(17,623)	198,823
– Other comprehensive income	–	28,681	–	28,681	–	28,681
Total comprehensive income/(loss)	–	28,681	216,446	245,127	(17,623)	227,504
Transactions with owners in their capacity as owners:						
Transfer to statutory reserves	–	23,722	(23,722)	–	–	–
Transfer to retained earnings	–	(30,772)	30,772	–	–	–
Dividends paid	–	(170,543)	–	(170,543)	(107,692)	(278,235)
Change from a joint venture to a subsidiary	–	–	–	–	239,819	239,819
Capital injections from non-controlling interests	–	–	–	–	137,700	137,700
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	(1,000)	(1,000)
Total transactions with owners	–	(177,593)	7,050	(170,543)	268,827	98,284
Balance at 31 December 2021	14,746	1,687,351	1,407,730	3,109,827	1,669,012	4,778,839
Balance at 1 January 2022	14,746	1,687,351	1,407,730	3,109,827	1,669,012	4,778,839
Comprehensive loss						
– Loss for the year	–	–	(721,859)	(721,859)	(165,966)	(887,825)
– Other comprehensive loss	–	(124,890)	–	(124,890)	–	(124,890)
Total comprehensive loss	–	(124,890)	(721,859)	(846,749)	(165,966)	(1,012,715)
Transactions with owners in their capacity as owners:						
Transfer to statutory reserves	–	490	(490)	–	–	–
Dividends paid	–	(15,968)	–	(15,968)	–	(15,968)
Capital injections from non-controlling interests	–	–	–	–	126,095	126,095
Disposal of subsidiaries (Note 37)	–	–	–	–	(158,228)	(158,228)
Total transactions with owners	–	(15,478)	(490)	(15,968)	(32,133)	(48,101)
Balance at 31 December 2022	14,746	1,546,983	685,381	2,247,110	1,470,913	3,718,023

The notes on pages 107 to 207 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in RMB thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from/(used in) operations	31(a)	892,461	(1,387,466)
Income tax paid		(105,000)	(66,621)
Interest paid		(316,320)	(263,742)
Net cash generated from/(used in) operating activities		471,141	(1,717,829)
Cash flows from investing activities			
Cash acquired from change of a joint venture to a subsidiary		–	17,447
Payments for acquisition of subsidiaries, net of cash acquired		–	(11,800)
Net cash inflow from disposal of subsidiaries, net of cash disposed of	37	37,801	–
Purchase of property, plant and equipment and intangible assets		(3,252)	(7,448)
Proceeds from disposal of property, plant and equipment and intangible assets	31(b)	20,072	69
Investments in associates		–	(55,346)
Dividends received from an associate		65,000	30,000
Cash advanced to related parties and non-controlling interests		(222,730)	(17,243)
Purchases of financial assets at fair value through profit or loss		(445,460)	(985,289)
Proceeds from disposal of financial assets at fair value through profit or loss		445,552	987,820
Interest received		6,760	18,430
Net cash used in investing activities		(96,257)	(23,360)
Cash flows from financing activities			
Proceeds from borrowings	31(c)	218,128	1,286,048
Repayments of borrowings	31(c)	(1,218,664)	(771,586)
(Repayments to)/advances from non-controlling interests and their related parties		(384,236)	260,438
Capital injection from non-controlling interests		126,095	137,700
Payment for acquisition of equity interests of non-controlling interest		–	(12,721)
Decrease in restricted cash for securing bank borrowings		44,000	127,276
Lease payments	31(c)	(6,747)	(3,355)
Dividends paid to non-controlling interests		–	(107,692)
Dividends paid to the Company's shareholders		(15,968)	(170,543)
Net cash (used in)/generated from financing activities		(1,237,392)	745,565
Net decrease in cash and cash equivalents			
Exchange gain/(losses) on cash and cash equivalents		19,139	(11,647)
Cash and cash equivalents at beginning of year		1,030,394	2,037,665
Cash and cash equivalents at end of year	26	187,025	1,030,394

The notes on pages 107 to 207 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 2 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket square, Hutchins Drive, PO Box 2618, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in property development, property management, hotel operations and commercial property investment in the People's Republic of China (the "**PRC**").

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 December 2019.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and the disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value and financial assets at fair value through profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) Going concern basis

For the year ended 31 December 2022, the Group's revenue amounted to RMB513 million, representing a decrease of 75% from RMB2,043 million for the year ended 31 December 2021 and the Group recorded a net loss of RMB888 million. As at 31 December 2022, the Group had total bank and other borrowings of RMB3,628 million, of which RMB1,797 million were current bank and other borrowings repayable within 12 months, while the Group's cash and cash equivalents amounted to RMB187 million.

The business of the Group is subject to extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Group.

All of the above events and conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position:

- (i) Certain of the Group's bank and other borrowings are subject to certain financial covenant requirements and the Group will continue to monitor its compliance with these covenant requirements. Should the Group be unable to comply with any covenant requirements, management of the Group will discuss and negotiate with the respective lenders and will seek to obtain a waiver of compliance with the covenant requirements from the lenders or to agree with the respective lenders to revise the terms and covenant requirements, if needed;
- (ii) In January 2023, the Group successfully exchanged its senior notes with an aggregate principal amount of US\$152 million (equivalent to RMB1,024 million) due on 26 January 2023 with a newly issued senior note of the same amount due on 11 January 2024 (the "**New Senior Notes**"). The Group will closely monitor its liquidity position to satisfy the repayment of the New Senior Notes by the due date and will also negotiate with the lenders to seek their agreement for further extended maturity, if needed;
- (iii) The Group had unutilised uncommitted project loan facilities and general facilities of RMB256 million as at 31 December 2022. The Group will also negotiate with the banks to extend such facilities and to secure new facilities to provide sufficient funding for the Group's project related payments or other operating expenditures. The Directors are of the opinion that such banking facilities will be successfully renewed when they expire;

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) Going concern basis (continued)

- (iv) The Group will continue to implement plans and measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of outstanding sales proceeds;
- (v) As at 31 December 2022, the Group's restricted cash amounted to RMB698 million, which mainly represented the restricted pre-sale proceeds in designated bank accounts and can be used to settle certain construction payables or project loans subject to the approval of the PRC State-Owned Land and Resource Bureau. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, so that the Group is able to release restricted cash to meet its other financial obligations; and
- (vi) The Group will also continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating expenditure.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2022. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2022. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial information on a going concern basis.

Notwithstanding the above, a material uncertainty exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cashflows through:

- (i) Continuous compliance the terms and conditions of the bank and other borrowings and, where applicable, successful negotiation with the lenders to obtain wavier or to revise the terms and conditions of the borrowings for the continuous compliance thereof as and when needed;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(c) Going concern basis (continued)

- (ii) Successful and timely extension and renewal of its banking facilities and its bank and other borrowings, including project loans and the Group's senior notes, upon maturity as well as obtaining new financing from financial institutions; in particular the successful negotiation with the lenders to secure their agreement to exchange the Group's New Senior Notes maturing in January 2024 with new senior notes with further extended maturity. The Group's ability to obtain these financing depends on (1) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; (2) whether the lenders of existing borrowings agree the terms and conditions for such extension or renewal; and (3) the Group's ability to continuously comply with the relevant terms and conditions of its bank and other borrowings including the senior notes;
- (iii) Successful implementation of the plans and measures to accelerate the pre-sales and sales of properties under developments and completed properties held for sale, and timely collection of the relevant sales proceeds;
- (iv) Successful completion and delivery of properties to the customers on schedule such that restricted pre-sale proceeds in the designated bank accounts will be released to meet its other financial obligations as planned; and
- (v) Successful in obtaining other additional sources of financing other than those mentioned above as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(d) New standards, amended standards and interpretation adopted by the Group

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The adoption of new and amended standards and interpretation did not have any material impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(e) New standards and amendments not yet adopted

The following new standards and amendments have been published that are not mandatory for the year ended 31 December 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants (amendments)	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback (amendments)	1 January 2024
Hong Kong Interpretation 5 (Revised)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies “Classification of Liabilities as Current or Non-current – Amendments to HKAS 1”
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) *Business combination*

Business combinations not under common control

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

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

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

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

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

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combination (continued)*

Business combinations not under common control (continued)

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

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

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

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

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

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

(c) *Disposal of subsidiaries*

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

2.2.2 Separate financial statements

Investment in subsidiaries is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements (continued)

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "Share of profit of investments accounted for using the equity method" in the statement of comprehensive income.

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

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Joint arrangements

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

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in joint ventures, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in joint ventures equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognise the amount adjacent to "Share of profit of investments accounted for using the equity method" in profit or loss.

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within "Finance (costs)/income – net". All other foreign exchange gains and losses are presented in profit or loss on a net basis within "Other (losses)/gains – net".

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

(c) Group companies

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20–70 years
Vehicles and machinery	3–5 years
Others	3–10 years

Buildings mainly comprise office buildings and hotel buildings.

Furniture, fittings and equipment include assets received in the form of free store fit outs are recognised at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other (losses)/gains – net" in profit or loss.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of lands during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

Intangible assets mainly comprised computer software, which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

2.9 Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each statement of financial position date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investment properties (continued)

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as "Other (losses)/gains – net" in the consolidated statement of comprehensive income.

Completed properties held for sale are transferred to investment properties when it is evidenced by a change in use. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

2.11 Inventories

Inventories mainly comprise hotel goods, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costs method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Properties under development and completed properties held for sale

2.12.1 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property mainly comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

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

2.12.2 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

Write-down of properties under development and completed properties held for sale to net realisable value are recorded as "Net impairment losses on completed properties held for sale and properties under development" in the consolidated statement of comprehensive income.

2.13 Investments and other financial assets

2.13.1 Classification

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

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

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Investments and other financial assets (continued)

2.13.1 Classification (continued)

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

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

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

2.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.13.3 Measurement

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

Debt instruments

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Investments and other financial assets (continued)

2.13.3 Measurement (continued)

Equity instruments

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

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

2.14 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

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

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment on other receivables, cash and cash equivalents (excluding cash on hand) and restricted cash are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.15 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Offsetting financial instruments

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

2.17 Land use rights under properties under development and completed properties held for sale

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are included in properties under development or completed properties held for sale.

2.18 Trade and other receivables

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade and other receivables and Note 3.1 for a description of the Group's impairment policies.

2.19 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Cash and cash equivalents, restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank deposits which are restricted to use are included in “Restricted cash”. Restricted cash is excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.21 Share capital

Ordinary shares are classified as equity.

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

2.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payable are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.25 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Current and deferred income tax (continued)

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Employee benefits

(a) Pension obligations

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

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

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

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

(c) Employee leave entitlements

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

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

(d) Mandatory Provident Fund Scheme (the "MPF Scheme")

The Group has arranged for its Hong Kong employees to join the MPF, a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employee make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties

Revenues are recognised 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 the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue recognition (continued)

(a) Sales of properties (continued)

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 customer obtains control of the asset.

In determining the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and subsequently amortised when the related revenue is recognised.

(b) Hotel operations

Revenue from hotel operations is recognised in the accounting period in which the services are rendered.

(c) Rental income

Rental income is recognised in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

(d) Property management

Revenue from rendering of property management services is recognised in the accounting period in which the related services are rendered.

(e) Construction services

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Revenue recognition (continued)

(f) Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.29 Dividend income

Dividends are recognised as other income when the right to receive payment is established.

2.30 Leases

The Group leases various lands and buildings. Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

There is no COVID-19-related rent concessions such as rent holidays and temporary rent reductions for the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Leases (continued)

(a) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 5). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

2.31 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised by the Company's shareholders or directors, when appropriate, and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.32 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9 *Financial Instruments*; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.34 Government grants

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

2.35 Interest income

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/(losses) on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

3.1.1 Market risk

(a) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The monetary assets and liabilities of the Group's subsidiaries in the PRC are mainly denominated in RMB and the foreign exchange risk is immaterial. The non-PRC subsidiaries' functional currency is Hong Kong Dollar ("HK\$"). As at 31 December 2022 and 2021, major non-HK\$ assets and liabilities of the non-PRC subsidiaries are cash and cash equivalents, restricted cash, other receivables and bank and other borrowings, which are denominated in RMB or US\$. Fluctuation of the exchange rate of HK\$ against RMB or US\$ could affect the Group's results of operations.

The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The carrying amount of non-PRC subsidiaries' foreign currency denominated monetary assets and liabilities at the respective dates of consolidated statements of financial position are as follows:

Financial assets	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	152,795	260,645
US\$	1,182	12,693
	153,977	273,338

Financial liabilities	As at 31 December	
	2022	2021
	RMB'000	RMB'000
US\$	1,085,628	1,012,507

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in HK\$ against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in HK\$ against the relevant currencies, the effects of post tax profit for the year are as follows:

	(Decrease)/increase in post-tax profit for the year	
	2022	2021
	RMB'000	RMB'000
HK\$ against RMB:		
Strengthened by 5%	(6,379)	(10,882)
Weakened by 5%	6,379	10,882

	Increase/(decrease) in post-tax profit for the year	
	2022	2021
	RMB'000	RMB'000
HK\$ against US\$:		
Strengthened by 5%	45,276	41,742
Weakened by 5%	(45,276)	(41,742)

The aggregate net foreign exchange losses recognised in profit or loss were RMB17,116,000 (2021 foreign exchange gain: RMB57,000).

(b) Cash flow and fair value interest rate risks

The Group's main interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash held at floating rates. During 2022 and 2021, the Group's borrowings at variable rate were mainly denominated in RMB and HK\$.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

As at 31 December 2022, bank and other borrowings of the Group bearing floating interest rates amounted to approximately RMB2,120,498,000 (2021: RMB3,003,563,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(b) Cash flow and fair value interest rate risks (continued)

The table below summarises the impact of changes in interest rate as at 31 December 2022 with all other variables held at constant on the Group's post-tax profit for the year without taking into account interest capitalisation.

	(Decrease)/Increase in post-tax profit for the year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest rate of bank and other borrowings at variable rates – increase 0.5% (2021: 0.5%)	(7,952)	(11,263)
Interest rate of bank and other borrowings at variable rates – decrease 0.5% (2021: 0.5%)	7,952	11,263

3.1.2 Credit risk

The Group has no concentrations on credit risk. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade receivables, other receivables and contract costs shown in the consolidated balance sheets.

Cash transactions are limited to high credit quality institutions. Deposits are only placed with reputable banks.

For the trade receivables arising from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the Directors consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 32. The Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

For the trade receivables arising from construction services, the Group has assessed of the credit quality of the customers in order to minimise the credit risk, taking into account their financial position, past experience and other factors to ensure that follow-up action is taken to recover long aged debts.

For other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

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

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

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

(a) *Trade receivables*

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

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition. The expected credit losses also incorporate forward-looking information, includes industrial value-added, M2, Producer Price Index and so on.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(a) Trade receivables (continued)

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments. Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

The cost and loss allowance provision for trade receivables are categorised as follows for assessment purpose:

Individual: Trade receivables with known insolvencies

Collective: Other trade receivables

	Trade receivables			
	2022		2021	
	Cost RMB'000	Loss allowance RMB'000	Cost RMB'000	Loss allowance RMB'000
Individual:				
– Trade receivables with known insolvencies	–	–	1,449	1,174
Collective				
– Other trade receivables	47,226	426	71,116	550
	47,226	426	72,565	1,724

	Trade receivables	
	2022 RMB'000	2021 RMB'000
Opening loss allowance as at 1 January	1,724	–
Increase in loss allowance recognised in profit or loss during the year	151	1,724
Receivables write off during the year as uncollectible	(1,449)	–
Closing loss allowance as at 31 December	426	1,724

For the year ended 31 December 2022, the average expected loss rate on the gross carrying amount of trade receivables was 1% (2021: 3%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties.

For other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. The other receivables are mainly due from minority interests, deposits for acquisition of the land use rights and property development projects and others. Management considered these receivables to be low credit risk as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Besides, management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

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

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

Category	Group definition of category	Basis for recognition of expected credit loss provision
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) *Other receivables (continued)*

As at 31 December 2022 and 2021, the loss allowance was determined as follows for other receivables:

	Other receivables from non- controlling interests RMB'000	Other receivables from related parties RMB'000	Other receivables from third parties RMB'000	Total RMB'000
As at 31 December 2022				
Stage one				
Carry amount of other receivables	543,180	197,943	249,346	990,469
Expected credit loss rate	0.66%	1.88%	1.16%	3.97%
Loss allowance	(3,605)	(3,723)	(2,901)	(10,229)
Other receivables – net	539,575	194,220	246,445	980,240
Stage two				
Carry amount of other receivables	–	–	82,265	82,265
Expected credit loss rate	–	–	39.33%	39.33%
Loss allowance	–	–	(32,358)	(32,358)
Other receivables – net	–	–	49,907	49,907
As at 31 December 2021				
Stage one				
Carry amount of other receivables	450,247	68,207	166,029	684,483
Expected credit loss rate	0.78%	1.65%	0.68%	0.85%
Loss allowance	(3,520)	(1,128)	(1,137)	(5,785)
Other receivables – net	446,727	67,079	164,892	678,698
Stage two				
Carry amount of other receivables	–	–	378	378
Expected credit loss rate	–	–	22.22%	22.22%
Loss allowance	–	–	(84)	(84)
Other receivables – net	–	–	294	294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Other receivables (continued)

The loss allowance provision for other receivables as at 31 December 2022 and 2021 reconcile to the opening loss allowance for that provision as follows:

	Other receivables	
	2022 RMB'000	2021 RMB'000
Opening loss allowance as at 1 January	5,869	1,756
Increase in loss allowance recognised in profit or loss during the year	36,718	4,113
Closing loss allowance as at 31 December	42,587	5,869

For the year ended 31 December 2022, the average expected loss rate on the gross carrying amount of other receivables was 4% (2021: 1%).

As at 31 December 2022 and 2021, the maximum exposure to loss of trade and other receivables were the carrying amounts.

(c) Credit risk on other financial assets other than trade receivables and other receivables

The Group expects that there is no significant credit risk associated with cash and cash equivalents (excluding cash on hand), restricted cash and contract costs, management does not expect that there will be any significant losses from non-performance by these counterparties.

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through contract liabilities and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders and related parties. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The Directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

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

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Bank and other borrowings	2,014,996	951,985	742,649	310,551	4,020,181
Trade and other payables, excluding salaries payable and other taxes payable	1,447,452	–	–	–	1,447,452
Lease liabilities	7,075	4,339	10,514	128,043	149,971
	3,469,523	956,324	753,163	438,594	5,617,604

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Bank and other borrowings	2,488,728	880,119	1,184,551	505,448	5,058,846
Trade and other payables, excluding salaries payable and other taxes payable	2,242,677	–	–	–	2,242,677
Lease liabilities	8,589	5,020	12,141	130,755	156,505
	4,739,994	885,139	1,196,692	636,203	7,458,028

The Group also provides guarantees to secure repayment obligations of certain purchasers of the Group's property units and related parties, which will have contractual cash flows only if the guaranteed purchasers and/or the related parties default on the repayment (Note 32).

3.2 Capital management

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management (continued)

The Group monitors capital on the basis of the net gearing ratio. Net gearing ratio represents the ratio of net debts (total borrowings net of cash and cash equivalents and restricted cash) divided by total equity as of the end of the respective year.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Total borrowings	3,628,493	4,495,697
Less: cash and cash equivalents restricted cash	(187,025) (697,625)	(1,030,394) (1,269,375)
Net debts	2,743,843	2,195,928
Total equity	3,718,023	4,778,839
Net gearing ratio	73.8%	46.0%

Increase in net gearing ratio as at 31 December 2022 was mainly due to decreases in total equity.

3.3 Financial instruments by category

	At 31 December 2022 Assets at amortised cost RMB'000
Assets as per consolidated statement of financial position	
Trade and other receivables (excluding prepayments)	1,076,947
Restricted cash	697,625
Cash and cash equivalents	187,025
Total	1,961,597

	At 31 December 2021 Assets at amortised cost RMB'000
Assets as per consolidated statement of financial position	
Trade and other receivables (excluding prepayments)	749,834
Restricted cash	1,269,375
Cash and cash equivalents	1,030,394
Total	3,049,603

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Financial instruments by category (continued)

	At 31 December 2022 Liabilities at amortised cost RMB'000
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	3,628,493
Lease liabilities	62,259
Trade and other payables (excluding salaries payable and other taxes payable)	1,447,452
Total	5,138,204

	At 31 December 2021 Liabilities at amortised cost RMB'000
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	4,495,697
Lease liabilities	65,754
Trade and other payables (excluding salaries payable and other taxes payable)	2,242,677
Total	6,804,128

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(All amounts in RMB thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, the impairment of properties under development and completed properties held for sale are disclosed in Note 21 and Note 22.

(b) Fair value of investment properties

The Group assesses the fair value of its investment properties based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from 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 fair value losses from investment properties are disclosed in Note 19.

(c) Income taxes and deferred taxation

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Income taxes and deferred taxation (continued)

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expenses or other comprehensive income in the periods in which such estimate is changed.

(d) PRC land appreciation tax ("LAT")

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

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

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

5 REVENUE AND SEGMENT INFORMATION

(a) Description of segments and principal activities

The executive directors, as the CODM of the Group, review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is organised into four business segments: property development and sales, commercial property investment, hotel operations and property management.

As the CODM considers most of the Group's consolidated revenue and results are attributable to the market in the PRC, and the Group's consolidated non-current assets are substantially located in the PRC, no geographical information is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment performance

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2022 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	413,765	–	64,810	40,449	519,024
Recognised at a point in time	413,765	–	–	–	413,765
Recognised over time	–	–	64,810	40,449	105,259
Revenue from other sources: rental income	–	25,060	–	–	25,060
Inter-segment revenue	–	(18,826)	(326)	(11,622)	(30,774)
Revenue from external customers	413,765	6,234	64,484	28,827	513,310
Gross profit/(loss) before impairment losses on completed properties held for sale and properties under development	70,147	5,926	(4,716)	2,249	73,606
Net impairment losses on completed properties held for sale and properties under development	(679,553)	–	–	–	(679,553)
Gross (loss)/profit after impairment losses on completed properties held for sale and properties under development	(609,406)	5,926	(4,716)	2,249	(605,947)
Selling and marketing expenses					(66,331)
Administrative expenses					(117,509)
Net impairment losses on financial assets					(36,869)
Other income					14,326
Other expenses					(872)
Other losses – net					(200,513)
Finance cost – net					(21,971)
Share of profit of investments accounted for using the equity method (Note 16)	3,037	–	–	–	3,037
Loss before income tax					(1,032,649)
Income tax expense					144,824
Loss for the year					(887,825)
Depreciation and amortisation recognised as expenses	14,584	–	14,358	272	29,214
Fair value losses on investment properties – net (Note 19)	–	(15,920)	–	–	(15,920)
Segment assets	11,607,873	264,124	252,525	12,927	12,137,449
Segment assets include:					
Investments accounted for using the equity method (Note 16)	43,671	–	–	–	43,671
Addition to non-current assets (other than financial instruments and deferred income tax assets)	2,448	–	26,055	70	28,573
Segment liabilities	4,472,569	21,021	19,145	34,416	4,547,151

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment performance (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	1,932,452	–	79,156	36,300	2,047,908
Recognised at a point in time	1,932,452	–	–	–	1,932,452
Recognised over time	–	–	79,156	36,300	115,456
Revenue from other sources: rental income	–	29,959	–	–	29,959
Inter-segment revenue	–	(20,212)	(385)	(14,144)	(34,741)
Revenue from external customers	1,932,452	9,747	78,771	22,156	2,043,126
Gross profit/(loss) before and after impairment losses on completed properties held for sale and properties under development	579,355	9,285	7,208	(12,623)	583,225
Selling and marketing expenses					(153,328)
Administrative expenses					(138,088)
Net impairment losses on financial assets					(5,837)
Other income					21,567
Other expenses					(1,223)
Other gains – net					33,430
Finance income – net					359
Share of profit of investments accounted for using the equity method (Note 16)	23,634	–	–	–	23,634
Profit before income tax					363,739
Income tax expense					(164,916)
Profit for the year					198,823
Depreciation and amortisation recognised as expenses	14,818	–	14,065	193	29,076
Fair value losses on investment properties – net (Note 19)	–	(9,208)	–	–	(9,208)
Segment assets	13,180,743	280,044	279,917	9,637	13,750,341
Segment assets include:					
Investments accounted for using the equity method (Note 16)	140,394	–	–	–	140,394
Addition to non-current assets (other than financial instruments and deferred income tax assets)	5,459	–	1,745	741	7,945
Segment liabilities	3,967,252	7,142	22,615	26,197	4,023,206

Sales between segments are carried out at arm's length. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment performance (continued)

For the years ended 31 December 2022 and 2021, no single external customer's transaction generated revenue accounting for 10% or more of the Group's total revenue.

(i) Segment assets

The amounts provided to the executive directors with respect to segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets are not considered to be segment assets but rather are managed on a central basis.

Segment assets are reconciled to total assets as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Segment assets	12,137,449	13,750,341
Unallocated:		
– Deferred income tax assets	349,805	176,033
Total assets	12,487,254	13,926,374

(ii) Segment liabilities

The amounts provided to the executive directors with respect to segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's current and deferred income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Segment liabilities	4,547,151	4,023,206
Unallocated:		
– Current income tax liabilities	393,307	430,363
– Deferred income tax liabilities	200,280	198,269
– Short-term borrowings and current portion of long-term borrowings	1,797,073	2,238,921
– Long-term borrowings	1,831,420	2,256,776
Total liabilities	8,769,231	9,147,535

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(c) Assets and liabilities related to contracts with customers

(i) The Group has recognised the following assets related to contracts with customers:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Sale commissions	120,468	39,885

Management expects the incremental costs, only including sale commissions, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the year ended 31 December 2022, the amount of amortisation was RMB16,929,000 (2021: RMB79,198,000). There was no impairment loss in relation to the costs capitalised.

(ii) The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities related to sales of properties	2,819,312	1,557,643
Contract liabilities related to others	17,796	7,560
	2,837,108	1,565,203

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows how much of the revenue recognised for the year ended 31 December 2022 and 2021 related to carried-forward contract liabilities:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of properties	75,273	926,687
Others	7,560	6,442
	82,833	933,129

(iii) The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as at 31 December 2022 and 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

6 EXPENSES BY NATURE

Expenses by nature included in cost of sales, selling and marketing expenses, administrative expenses and net impairment losses on completed properties held for sale and properties under development are analysed as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net impairment losses on completed properties held for sale and properties under development	679,553	–
Cost of properties sold – including construction cost, land cost and interest cost	329,794	1,317,929
Employee benefit expenses (including directors' emoluments) (Note 10)	111,595	148,822
Employee benefit expenditure – including directors' emoluments	124,497	166,028
Less: capitalised in properties under development	(12,902)	(17,206)
Commission fees	16,929	79,198
Hotel operations expenses	34,664	36,276
Taxes and levies	10,397	17,803
Advertising costs	22,831	51,069
Entertainment expenses	13,571	17,443
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets	29,214	29,076
Professional consulting fees	19,540	22,044
Office and travelling expenses	6,984	10,420
Auditor's remuneration	4,450	4,450
– Audit services	3,700	3,700
– Non-audit services	750	750
Others	23,575	16,787
Total	1,303,097	1,751,317

7 OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest income from a related party	11,507	–
Forfeited customer deposits	768	1,105
Government grants	435	17,541
Others	1,616	2,921
Total	14,326	21,567

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

8 OTHER EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Donations	62	492
Others	810	731
	872	1,223

9 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Interest on financial assets at fair value through profit or loss	92	2,531
Gains/(losses) on disposals of property, plant and equipment	8,473	(78)
Fair value losses on investment properties (<i>Note 19</i>)	(15,920)	(9,208)
Fair value gain on the remeasurement of investment in a joint venture	–	34,121
Losses on disposal of subsidiaries (<i>Note 37</i>)	(121,438)	–
Losses on disposal of an associate	(5,622)	–
Net impairment losses on right-of-use assets	(25,180)	–
Net foreign exchange (losses)/gains	(16,084)	6,064
A penalty for delay payment of land payment	(24,834)	–
	(200,513)	33,430

10 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	117,811	157,288
Pension costs – statutory pension	6,686	8,740
	124,497	166,028
Less: capitalised in properties under development	(12,902)	(17,206)
	111,595	148,822

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

10 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(a) Pensions scheme – defined contribution plans

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

The Group has arranged for its Hong Kong employees to join the MPF Scheme, a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employees make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

During the years ended 31 December 2022 and 2021, the Group has no forfeited contributions that were able to be utilised by the Group to reduce its contributions.

(b) Five highest paid individuals

Three individuals whose emoluments were the highest in the Group were directors (2021: four), whose emoluments are reflected in the analysis in Note 39. The emoluments payable to the remaining individual during the years 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses and other benefits	2,916	1,617
Pension costs – statutory pension	31	15
	2,947	1,632

The emoluments fell within the following bands:

	Number of individuals	
	Year ended 31 December	
	2022	2021
HK\$1,000,001–HK\$1,500,000	1	–
HK\$1,500,001–HK\$2,000,000	1	1
	2	1

During the years ended 31 December 2022 and 2021, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

11 FINANCE COSTS/(INCOME) – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Finance costs		
– Interest expense on bank and other borrowings	314,613	242,526
– Interest expense on leases	3,042	3,208
– Losses of early redemption of bank borrowings	9,120	–
– Net exchange losses on foreign currency borrowings	1,032	6,007
Less:		
– Interest capitalised	(299,076)	(233,670)
	28,731	18,071
Finance income		
– Interest income from bank deposits	(6,760)	(18,430)
Finance costs/(income) – net	21,971	(359)

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Current income tax		
– Corporate income tax	6,244	95,274
– Land appreciation tax	15,210	58,667
	21,454	153,941
Deferred income tax		
– Corporate income tax	(166,278)	10,975
	(144,824)	164,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

12 INCOME TAX EXPENSE (CONTINUED)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(Loss)/profit before income tax	(1,032,649)	363,739
Calculated at tax rate of 25%	(258,162)	90,935
Effects of:		
– Different tax rates available to different subsidiaries of the Group	13,635	12,676
– Land appreciation tax deductible for PRC corporate income tax purposes	(3,803)	(14,667)
– Expenses and development costs not deductible for tax purposes	5,124	7,428
– Tax effect of tax losses not recognised as deferred income tax asset	83,931	24,316
– Income not subject to tax	(759)	(14,439)
– Land appreciation tax	15,210	58,667
Income tax expense	(144,824)	164,916

(a) PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25%.

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the Mainland China in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

12 INCOME TAX EXPENSE (CONTINUED)

(b) PRC land appreciation tax

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, 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 appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(d) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the group companies did not have assessable profit in Hong Kong for the year ended 31 December 2022 (2021: nil).

13 (LOSSES)/EARNINGS PER SHARE

	Year ended 31 December	
	2022	2021
(Loss)/profit attribute to owners of the Company (RMB'000)	(721,859)	216,446
Weighted average number of ordinary shares in issue (in thousand)	1,646,173	1,646,173
(Losses)/earnings per share – basic (RMB per share)	(0.44)	0.13
(Losses)/earnings per share – diluted (RMB per share)	(0.44)	0.13

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

14 DIVIDEND

Dividends paid in 2022 consist of the payment of the 2021 final cash dividend of RMB0.97 cents per ordinary share totalling RMB15,968,000 (equivalent to HK\$18,766,000).

The Board of Directors does not recommend the payment of a final dividend for the year ended 31 December 2022.

15 DEFERRED INCOME TAX

The statement of deferred income tax assets and liabilities is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets		
– to be realised within 12 months	144,709	147,103
– to be realised after more than 12 months	205,096	28,930
	349,805	176,033
Deferred income tax liabilities		
– to be realised within 12 months	–	–
– to be realised after more than 12 months	200,280	198,269
	149,525	(22,236)

(a) Deferred income tax assets

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	176,993	104,026
Recognised in profit or loss	232,363	50,449
Disposal of subsidiaries	(294)	–
Change from a joint venture to a subsidiary	–	22,518
End of year	409,062	176,993
Offsetting with deferred income tax liabilities	(59,257)	(960)
Net deferred income tax assets	349,805	176,033

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

15 DEFERRED INCOME TAX (CONTINUED)

(a) Deferred income tax assets (continued)

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

	Tax losses	Impairment of assets and deductible temporary differences of expenses and cost of sales	Temporary difference in sales recognition and related cost of sales	Elimination of unrealised profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	25,310	21,989	14,019	42,708	104,026
Recognised in profit or loss	11,317	28,861	21,985	(11,714)	50,449
Change from a joint venture to a subsidiary	14	–	22,504	–	22,518
At 31 December 2021	36,641	50,850	58,508	30,994	176,993
Recognised in profit or loss	56,492	134,275	51,376	(9,780)	232,363
Disposal of subsidiaries	(294)	–	–	–	(294)
At 31 December 2022	92,839	185,125	109,884	21,214	409,062

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable.

(b) Deferred income tax liabilities

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Beginning of the year	199,229	128,561
Recognised in profit or loss	66,085	42,711
Disposal of subsidiaries	(5,777)	–
Change from a joint venture to a subsidiary	–	27,957
End of the year	259,537	199,229
Offsetting with deferred income tax assets	(59,257)	(960)
Net deferred income tax liabilities	200,280	198,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

15 DEFERRED INCOME TAX (CONTINUED)

(b) Deferred income tax liabilities (continued)

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

	Fair value gains on investment properties RMB'000	Interest capitalisation RMB'000	Revaluation surplus arising from property development RMB'000	Total RMB'000
At 1 January 2021	43,667	84,894	–	128,561
Recognised in profit or loss	(2,302)	45,013	–	42,711
Change from a joint venture to a subsidiary	–	5,656	22,301	27,957
At 31 December 2021	41,365	135,563	22,301	199,229
Recognised in profit or loss	(3,980)	70,065	–	66,085
Disposal of subsidiaries	–	(5,777)	–	(5,777)
At 31 December 2022	37,385	199,851	22,301	259,537

As at 31 December 2022, deferred income tax liabilities of RMB136,339,000 (2021: RMB168,738,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC. Unremitted earnings totalled RMB1,363,388,000 as at 31 December 2022 (2021: RMB1,687,380,000), as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

The amounts recognised in the statement of financial position are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Investments in associates	43,671	140,394
Investments in a joint venture (Note (a)(i))	–	–
	43,671	140,394

The amounts recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
A joint venture (Note (a))	–	(5,404)
Associates (Note (b))	3,037	29,038
	3,037	23,634

(a) A joint venture

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Opening balances	–	24,543
Additions	–	196,348
Share of results (Note (i))	–	(5,404)
Transfer to a subsidiary	–	(215,487)
Ending balances	–	–

- (i) The Group's interest in a joint venture is accounted using equity method. As at 31 December 2022, the Group's shares of losses of a joint venture exceeds its interests in the underlying entities, and the unrecognised share of losses of the joint venture amounted to RMB44,865,000 (31 December 2021: RMB18,909,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) A joint venture (continued)

(ii) Nature of investment in a joint venture as at 31 December 2022:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 31 December		
			2022	2021	
Zhongshan Jingyue Investment Co., Ltd.* ("Zhongshan Jingyue") 中山市景悦投资有限公司	PRC	Property development	50%	50%	Equity

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

(iii) **Summarised financial information for a joint venture**

Set out below is the summarised financial information for Zhongshan Jingyue:

Summarised balance sheets

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current assets	23,360	20,048
Current assets		
Cash and cash equivalents	905	3,125
Trade and other receivables	101,454	127,815
Completed properties held for sale	751,969	776,784
Total assets	877,688	927,772
Non-current liabilities (Note (iv))	596,804	738,757
Current liabilities (Note (iv))	370,614	226,833
Total liabilities	967,418	965,590
Net assets	(89,730)	(37,818)
The Group's share in %	50%	50%
Carrying amount	(44,865)	(18,909)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(a) A joint venture (continued)

- (iv) Current and non-current secured bank borrowings included in current and non-current liabilities totalling amounted to RMB707,012,000 (2021: RMB751,850,000).

Summarised statements of comprehensive income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	35,962	49,107
Cost of sales	(29,243)	(32,948)
Administrative expenses	(1,287)	(1,281)
Net impairment losses on financial assets	(10,581)	–
Interest expense	(46,926)	(50,074)
Other income	163	808
Loss for the year	(51,912)	(34,388)
Total comprehensive loss for the year	(51,912)	(34,388)

(b) Associates

The movement of investment in associates is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Opening balances	140,394	84,200
Additions	–	55,346
Dividends received	(65,000)	(30,000)
Share of results	3,037	29,038
Realisation of unrealised profits	862	1,810
Disposal of an associate (<i>Note (ii)</i>)	(35,622)	–
Ending balances	43,671	140,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Associates (continued)

(i) Nature of investment in associates as at 31 December 2022:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 31 December		
			2022	2021	
Guangzhou Nansha Donghuzhou Real Estate Development Co. Ltd. ("Donghuzhou") 廣州市南沙東湖洲房地產有限公司	PRC	Property development	N/A (Note (ii))	30%	Equity
Guangzhou Jingke Property Service Co., Ltd.* 廣州景科物業服務有限公司	PRC	Property management	49%	49%	Equity
Nanjing Longguang Jingye Property Service Co., Ltd.* ("Nanjing Longguang") 南京龍光景業物業服務有限公司	PRC	Property management	49%	49%	Equity
Guangzhou Zhujing Real Estate Development Co., Ltd.* ("Guangzhou Zhujing") 廣州珠景房地產開發有限公司	PRC	Property development	55%	55%	Equity

* The English names of the associates represent the best effort by the management of the Group in translating their Chinese names as they do not have official English names.

(ii) On 29 December 2022, the Group completed its disposal of 30% equity interests in Donghuzhou to other original shareholders of Donghuzhou and a third party, at a consideration of RMB30,000,000. As at the disposal date, total identifiable net investment of Donghuzhou attributed to the Group amounted to RMB35,622,000, the excess of the identifiable net assets disposed over the consideration was recorded as loss. It was not a related party since 29 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Associates (continued)

(iii) Summarised financial information for associates

Set out below is the summarised financial information for Guangzhou Zhujing:

Summarised balance sheets

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current assets	7,348	1,988
Properties under development	671,471	455,415
Cash and cash equivalents	265	3,428
Trade and other receivables and prepayments	65,807	64,711
Current assets	737,543	523,554
Total assets	744,891	525,542
Current liabilities	666,148	430,719
Total liabilities	666,148	430,719
Net assets	78,743	94,823
The Group's share in %	55%	55%
Carrying amount	43,309	52,153

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (CONTINUED)

(b) Associates (continued)

(iii) Summarised financial information for associates (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	642	13
Cost of sales	(181)	(117)
Gross profit	461	(104)
Administrative expenses	(800)	(4,940)
Finance costs	(18,809)	(2,211)
Other expenses	(2,292)	(249)
Loss before income tax	(21,440)	(7,504)
Income tax expense	5,360	1,875
Total comprehensive losses for the year	(16,080)	(5,629)

In addition to the interests in associates disclosed above, the Group also has interests in a number of individuals immaterial associates that are accounted for using the equity method.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	362	88,241
Aggregate amounts of the Group's share of:		
Income from continuing operations	11,881	32,134
Total comprehensive income	11,881	32,134

(c) As at 31 December 2022 and 2021, there were no significant contingencies related to the Group's interests in the joint venture and associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Vehicles and machinery RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021				
Cost	330,863	19,867	16,145	366,875
Accumulated depreciation	(48,074)	(7,718)	(9,276)	(65,068)
Net book amount	282,789	12,149	6,869	301,807
Year ended 31 December 2021				
Opening net book amount	282,789	12,149	6,869	301,807
Additions	–	2,013	3,610	5,623
Disposals	–	(89)	(58)	(147)
Depreciation	(12,497)	(4,031)	(2,065)	(18,593)
Exchange difference	–	(26)	–	(26)
Closing net book amount	270,292	10,016	8,356	288,664
At 31 December 2021				
Cost	330,863	21,242	18,699	370,804
Accumulated depreciation	(60,571)	(11,226)	(10,343)	(82,140)
Net book amount	270,292	10,016	8,356	288,664
Year ended 31 December 2022				
Opening net book amount	270,292	10,016	8,356	288,664
Additions	–	804	926	1,730
Transfer from completed properties held for sale	25,321	–	–	25,321
Disposals	(11,035)	(548)	(16)	(11,599)
Disposal of subsidiaries	–	–	(99)	(99)
Depreciation	(12,379)	(3,725)	(2,549)	(18,653)
Exchange difference	–	40	106	146
Closing net book amount	272,199	6,587	6,724	285,510
At 31 December 2022				
Cost	340,572	20,557	19,347	380,476
Accumulated depreciation	(68,373)	(13,970)	(12,623)	(94,966)
Net book amount	272,199	6,587	6,724	285,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Selling and marketing expenses	361	343
Administrative expenses	4,482	4,828
Cost of sales	13,604	13,219
	18,447	18,390
Properties under development	206	203
	18,653	18,593

As at 31 December 2022 and 2021, the following net book amount of buildings were pledged as collateral for the Group's bank and other borrowings:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Buildings	236,865	248,843

As at 31 December 2022, buildings comprised hotels of RMB236,865,000 (2021: RMB248,843,000) which are located in the PRC (Note 29).

18 RIGHT-OF-USE ASSETS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Lands (Note (a))	209,017	240,102
Buildings	5,126	8,851
	214,143	248,953

(a) The amounts mainly comprise the prepaid leases of land contracting fee on agricultural land and forest land, which are amortised under the contracting terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

18 RIGHT-OF-USE ASSETS (CONTINUED)

- (b) The movement of right-of-use assets is shown in the table below for the years ended 31 December 2022 and 2021:

	Lands RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2021			
Cost	268,172	30,119	298,291
Accumulated amortisation	(22,296)	(17,799)	(40,095)
Net book amount	245,876	12,320	258,196
Year ended 31 December 2021			
Opening net book amount	245,876	12,320	258,196
Additions	–	497	497
Amortisation	(5,774)	(3,876)	(9,650)
Exchange difference	–	(90)	(90)
Closing net book amount	240,102	8,851	248,953
At 31 December 2021			
Cost	268,172	30,526	298,698
Accumulated amortisation	(28,070)	(21,675)	(49,745)
Net book amount	240,102	8,851	248,953
Year ended 31 December 2022			
Opening net book amount	240,102	8,851	248,953
Amortisation	(5,905)	(3,860)	(9,765)
Impairment loss	(25,180)	–	(25,180)
Exchange difference	–	135	135
Closing net book amount	209,017	5,126	214,143
At 31 December 2022			
Cost	268,172	30,661	298,833
Accumulated amortisation and impairment	(59,155)	(25,535)	(84,690)
Net book amount	209,017	5,126	214,143

- (c) As at 31 December 2022, lands with net book value of RMB12,177,000 (2021: RMB12,720,000), were pledged as collateral for the Group's bank and other borrowings (Note 29).
- (d) Amortisation of the right-of-use assets has been charged to profit or loss as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Administrative expenses	8,915	8,800
Cost of sales	850	850
	9,765	9,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

19 INVESTMENT PROPERTIES

	As at 31 December 2021		
	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Opening net book value	235,062	54,190	289,252
Fair value losses – net	(9,078)	(130)	(9,208)
Closing net book value	225,984	54,060	280,044

	As at 31 December 2022		
	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Opening net book value	225,984	54,060	280,044
Fair value losses – net	(12,860)	(3,060)	(15,920)
Closing net book value	213,124	51,000	264,124

As at 31 December 2022, investment properties of RMB173,124,000 (2021: RMB179,484,000) were pledged as collateral for the Group's bank and other borrowings (Note 29).

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Rental income from external customers	6,234	8,533
Direct operating expenses from investment properties that generate rental income	(308)	(1,034)
Fair value losses	(15,920)	(9,208)
	(9,994)	(1,709)

The investment properties are located in the PRC and are held on leases of between 40 to 50 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

19 INVESTMENT PROPERTIES (CONTINUED)

(a) Fair value hierarchy

An independent valuation of the Group's completed investment properties and investment properties under construction were performed by the independent and professionally qualified valuer to determine the fair value of the investment properties as at 31 December 2022 and 2021. The revaluation gains or losses are included in "Other (losses)/gains – net" in the consolidated statements of comprehensive income.

As at 31 December 2022 and 2021, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.9). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels for the year ended 31 December 2022 and 2021.

(b) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2022 and 2021 by independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months for the years ended 31 December 2022 and 2021.

At each financial year end, the financial department:

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

(c) Valuation techniques

Fair value of completed investment properties of retail properties and investment properties under construction of buildings are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of lands are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

19 INVESTMENT PROPERTIES (CONTINUED)

(c) Valuation techniques (continued)

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

There were no changes to the valuation techniques for the year ended 31 December 2022.

	Property category	Fair value at 31 December 2022	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office, retail properties	173,124,000	Term and reversionary method	Market rents (RMB/square metre)	100-223	The higher the market price, the higher the fair value
				Term and reversionary yields	4.00%-4.50%	The higher the term yields, the lower the fair value
	Retail properties	40,000,000	Term and reversionary method	Market rents (RMB/square metre)	91-96	The higher the market price, the higher the fair value
				Term and reversionary yields	3.50%-4.25%	The higher the term yields, the lower the fair value
Investment properties under construction	Land located in Lianhuashan Town, Panyu District, Guangzhou Province, the PRC	31,000,000	Direct comparison	Market price (RMB/square metre)	1,873	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Land located in Nancun Town, Panyu District, Guangzhou Province, the PRC	5,700,000	Direct comparison	Market price (RMB/square metre)	2,466	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
Buildings	14,300,000	Term and reversionary method	Market rents (RMB/square metre)	26	The higher the market price, the higher the fair value	
			Term and reversionary yields	5.00%	The higher the term yields, the lower the fair value	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

19 INVESTMENT PROPERTIES (CONTINUED)

(c) Valuation techniques (continued)

	Property category	Fair value at 31 December 2021	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Office, retail properties	179,484,000	Term and reversionary method	Market rents (RMB/square metre)	104-232	The higher the market price, the higher the fair value
				Term and reversionary yields	4.00%-4.50%	The higher the term yields, the lower the fair value
	Retail properties	46,500,000	Term and reversionary method	Market rents (RMB/square metre)	116-122	The higher the market price, the higher the fair value
				Term and reversionary yields	3.50%-4.25%	The higher the term yields, the lower the fair value
Investment properties under construction	Land located in Lianhuashan Town, Panyu District, Guangzhou Province, the PRC	33,000,000	Direct comparison	Market price (RMB/square metre)	1,971	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Land located in Nancun Town, Panyu District, Guangzhou Province, the PRC	6,000,000	Direct comparison	Market price (RMB/square metre)	2,596	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Buildings	15,060,000	Term and reversionary method	Market rents (RMB/square metre)	27	The higher the market price, the higher the fair value
Term and reversionary yields				5.00%	The higher the term yields, the lower the fair value	

As at 31 December 2022 and 2021, the period of leases whereby the Group leases out its investment properties held in the PRC were between 1 to 4 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

20 INTANGIBLE ASSETS

	Computer software RMB'000
Year ended 31 December 2021	
Opening net book amount	2,443
Additions	1,825
Amortisation	(1,036)
Closing net book amount	3,232
At 31 December 2021	
Cost	7,195
Accumulated amortisation	(3,963)
Net book amount	3,232
Year ended 31 December 2022	
Opening net book amount	3,232
Additions	1,522
Disposal of subsidiaries	(4)
Amortisation	(1,002)
Closing net book amount	3,748
At 31 December 2022	
Cost	8,520
Accumulated amortisation	(4,772)
Net book amount	3,748

21 PROPERTIES UNDER DEVELOPMENT

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Properties under development expected to be completed:		
– Land use rights	4,986,531	5,295,245
– Contractual rights of land (Note (a))	177,492	417,941
– Construction costs	1,753,750	1,301,660
– Interests capitalised	739,563	479,614
	7,657,336	7,494,460
Less: provision for impairment of properties under development	(326,527)	–
	7,330,809	7,494,460

- (a) Contractual rights of land mainly represents the construction land acquired from the collective economic organisations in 2017, which will be transferred to land use rights in near future.
- (b) Properties under development are located in the PRC and expected to be completed, and available for sale within normal operating cycle.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

21 PROPERTIES UNDER DEVELOPMENT (CONTINUED)

- (c) The capitalisation rate of borrowings is 6.67% for the year ended 31 December 2022 (2021: 6.41%).
- (d) As at 31 December 2022, properties under development with net book value of RMB1,763,960,000 (31 December 2021: RMB2,328,613,000), were pledged as collateral for the Group's bank and other borrowings (Note 29).
- (e) As at 31 December 2022, the balance of provision in respect of write-down of the properties under development was amounted to RMB326,527,000 (31 December 2021: nil).

22 COMPLETED PROPERTIES HELD FOR SALE

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Completed properties held for sale developed by the Group:		
Land use rights	364,408	367,688
Construction costs	1,048,835	1,060,120
Interest capitalised	85,787	77,804
	1,499,030	1,505,612
Less: provision for impairment of completed properties held for sale	(151,844)	–
	1,347,186	1,505,612

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

As at 31 December 2022, completed properties held for sale with net book value of RMB871,823,000 (2021: RMB623,748,000), were pledged as collateral for the Group's bank and other borrowings (Note 29).

As at 31 December 2022, the balance of provision in respect of write-down of the completed properties held for sale was amounted to RMB151,844,000 (31 December 2021: nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Included in current assets:		
Trade receivables – third parties (<i>Note (a)</i>)	46,855	69,060
Trade receivables – related parties (<i>Note (a)</i>)	371	3,505
Other receivables – third parties (<i>Note (b)</i>)	331,611	166,407
Other receivables – non-controlling interests (<i>Note (b)</i>)	543,180	450,247
Other receivables – related parties (<i>Note (b)</i>)	197,943	68,207
Prepayments for acquisition of land use rights (<i>Note (c)</i>)	342,561	500,102
Other prepayments (<i>Note (d)</i>)	73,678	61,270
	1,536,199	1,318,798
Less: impairment	(43,013)	(7,593)
Total	1,493,186	1,311,205
Less: non-current portion	(11,563)	(11,634)
Current portion	1,481,623	1,299,571

As at 31 December 2022 and 2021, the fair value of trade and other receivables approximated their carrying amounts.

As at 31 December 2022, trade receivables with net book value of RMB1,600,000 (2021: RMB2,154,000) were pledged as collateral for the Group's bank and other borrowings (*Note 29*).

(a) Details of trade receivables are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables – third parties	46,855	69,060
Trade receivables – related parties	371	3,505
Less: allowance for impairment	(426)	(1,724)
Trade receivables – net	46,800	70,841

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Within 1 year	46,646	71,678
Over 1 year	580	887
	47,226	72,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Details of trade receivables are as follows: (continued)

Trade receivables mainly arise from rental income, provision of construction services and hotel operations. Proceeds from sale of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2022, a provision of RMB426,000 was made against the gross amounts of trade receivables (31 December 2021: RMB1,724,000) (Note 3.1.2(a)).

The Group's trade receivables are denominated in RMB (2021: same).

(b) Details of other receivables are as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deposits for acquisition of land use rights	210,258	91,258
Other receivables due from non-controlling interests (<i>Note (i)</i>)	543,180	450,247
Other receivables due from related parties (<i>Note (ii)</i>)	197,943	68,207
Outstanding consideration receivables for disposal of an associate	30,000	–
Others	91,353	75,149
	1,072,734	684,861
Less: allowance for impairment	(42,587)	(5,869)
Other receivables – net	1,030,147	678,992

(i) Other receivables represent cash advances amounted to approximately RMB348,929,000 made to non-controlling interests, which are unsecured, interest free and repayable on demand, and the remaining amount mainly represent consideration due from a non-controlling shareholder of a subsidiary.

(ii) The balance including certain cash advances to a related party totalled approximately RMB147,090,000, which earned interest rate at 11% and are repayable on demand. The remaining balance, which is due to a related party, is interest free and repayable on demand.

(c) Amounts represent up-front payments for acquiring land use rights for property development held for sales. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

23 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(d) Details of other prepayments are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Prepayments for property development projects	43,714	23,985
Prepaid other taxes	11,246	6,862
Others	18,718	30,423
Other prepayments	73,678	61,270

24 PREPAID TAXES

Details of prepaid taxes are as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Corporate income taxes	19,588	18,488
Land appreciation taxes	90,395	45,005
Value added taxes	38,798	72,974
	148,781	136,467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

25 RESTRICTED CASH

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Guarantee deposits for construction of pre-sold properties (<i>Note (a)</i>)	615,090	842,837
Guarantee deposits for borrowings (<i>Note (b)</i>)	26,000	70,000
Guarantee deposits for urban development project	–	310,000
Others	56,535	46,538
	697,625	1,269,375
Denominated in:		
– RMB	687,073	1,263,730
– US\$	211	192
– HK\$	10,341	5,453
	697,625	1,269,375

The directors of the Group are of the view that the restricted cash listed above will be released within the normal operating cycle.

- (a) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.
- (b) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings.

As at 31 December 2022, the Group has placed cash deposits of approximately RMB26,000,000 (2021: RMB70,000,000) with designated banks as security for bank borrowings (Note 29).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

26 CASH AND CASH EQUIVALENTS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash at bank and in hand	884,650	2,299,769
Less: restricted cash	(697,625)	(1,269,375)
Cash and cash equivalents	187,025	1,030,394

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Denominated in RMB	181,063	687,462
Denominated in HK\$	4,991	330,431
Denominated in US\$	971	12,501
	187,025	1,030,394

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

27 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Total
Authorised				
As at 31 December 2022 and 2021	2,500,000,000			
Issued and fully paid				
As at 31 December 2022 and 2021	1,646,173,000	HK\$16,462,000	RMB14,746,000	RMB14,746,000

28 OTHER RESERVES AND RETAINED EARNINGS

	Consolidated reserves	Statutory reserves	Exchange difference	Total reserves	Retained earnings	Total
	RMB'000	(Note (a)) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	1,726,596	130,606	(20,939)	1,836,263	1,184,234	3,020,497
Profit for the year	-	-	-	-	216,446	216,446
Transfer to statutory reserves	-	23,722	-	23,722	(23,722)	-
Transfer to retained earnings	(30,772)	-	-	(30,772)	30,772	-
Other comprehensive income	-	-	28,681	28,681	-	28,681
Dividends paid	(170,543)	-	-	(170,543)	-	(170,543)
Balance at 31 December 2021	1,525,281	154,328	7,742	1,687,351	1,407,730	3,095,081
Balance at 1 January 2022	1,525,281	154,328	7,742	1,687,351	1,407,730	3,095,081
Loss for the year	-	-	-	-	(721,859)	(721,859)
Transfer to statutory reserves	-	490	-	490	(490)	-
Other comprehensive loss	-	-	(124,890)	(124,890)	-	(124,890)
Dividends paid	(15,968)	-	-	(15,968)	-	(15,968)
Balance at 31 December 2022	1,509,313	154,818	(117,148)	1,546,983	685,381	2,232,364

- (a) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserves fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserves fund may be distributed to equity holders in form of bonus issue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

29 BANK AND OTHER BORROWINGS

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Bank borrowings	2,506,186	3,484,088
Senior notes (Note (a))	1,084,647	1,011,609
Other borrowings (Note (b))	37,660	–
	3,628,493	4,495,697
Included in non-current bank borrowings:		
– Secured (Notes (d) & (e))	2,425,313	2,881,725
– Unsecured (Note (e))	77,000	602,363
Less: current portion of non-current bank borrowings	(670,893)	(1,227,312)
	1,831,420	2,256,776
Included in current bank and other borrowings:		
– Secured (Notes (d) & (e))	3,719	–
– Unsecured (Note (e))	1,122,461	1,011,609
Add: current portion of non-current bank borrowings	670,893	1,227,312
	1,797,073	2,238,921
Total borrowings	3,628,493	4,495,697

- (a) On 27 January 2022, the Company issued senior notes with nominal interest rate 7.5% in an aggregate principal amount of US\$152,100,000 in Hong Kong (the “**2022 Notes**”). The issue of the 2022 Notes was comprised of the exchange offer of the existing senior notes due 7 February 2022 amounting to US\$149,600,000 and completion of concurrent new money issuance amounting to US\$2,500,000. The 2022 Notes were matured on 26 January 2023. The 2022 Notes were listed on the Stock Exchange on 28 January 2022.

The above senior notes are guaranteed by certain subsidiaries of the Group.

- (b) On 15 July 2022, a third party offered a loan to the Group, with the interest rate of 12% per annum. The borrowing was guaranteed by the Company and the expiring date is within one year.
- (c) As at 31 December 2022, the Group’s borrowings are denominated in following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	2,043,737	2,960,725
HK\$	500,109	523,363
US\$	1,084,647	1,011,609
	3,628,493	4,495,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

29 BANK AND OTHER BORROWINGS (CONTINUED)

- (d) As at 31 December 2022, bank and other borrowings totalling RMB2,429,032,000 (2021: RMB2,881,725,000) of the Group were secured by the following assets together with the Group's shares of certain subsidiaries:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Lands	12,177	12,720
Property, plant and equipment	236,865	248,843
Investment properties	173,124	179,484
Properties under development	1,763,960	2,328,613
Completed properties held for sale	871,823	623,748
Trade receivables	1,600	2,154
Restricted cash	26,000	70,000
	3,085,549	3,465,562

- (e) The Group's unsecured borrowings of RMB1,199,461,000 (2021: RMB1,613,972,000) as at 31 December 2022 were guaranteed by certain subsidiaries or the ultimate controlling shareholder.

The Group's secured borrowings of RMB2,429,032,000 (2021: RMB2,881,725,000) as at 31 December 2022 were guaranteed by the Company, certain subsidiaries, the ultimate controlling shareholder or third parties.

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Less than 1 year	3,367,493	4,180,497
1-5 years	261,000	315,200
	3,628,493	4,495,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

29 BANK AND OTHER BORROWINGS (CONTINUED)

(g) The repayment terms of the borrowings were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 1 year	1,797,073	2,238,921
1 to 2 years	894,916	773,874
2 to 5 years	689,378	1,085,782
Over 5 years	247,126	397,120
	3,628,493	4,495,697

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

	As at 31 December	
	2022	2021
Bank and other borrowings	6.49%	6.40%
Senior notes	8.34%	8.63%

(i) The carrying amounts of the borrowings approximate their fair values as at 31 December 2022 and 2021 as the impact of discounting of borrowing with fixed interest rate is not significant or the borrowings carry floating interest rate.

30 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)	832,347	902,718
Notes payable	–	184,247
Amounts due to non-controlling interests and their related parties (<i>Note (b)</i>)	315,224	945,212
Outstanding consideration payables for acquisitions	35,195	35,195
Deposits payable (<i>Note (c)</i>)	10,641	39,041
Factoring of trade payables	156,825	42,737
Accrued expenses	47,928	53,539
Salaries payable	12,125	16,115
Other taxes payable	188,207	133,457
Other payables (<i>Note (d)</i>)	49,292	39,988
	1,647,784	2,392,249

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

30 TRADE AND OTHER PAYABLES (CONTINUED)

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Within 90 days	290,056	460,983
Over 90 days and within 365 days	235,994	332,455
Over 365 days	306,297	109,280
	832,347	902,718

The Group's trade payables as at 31 December 2022 and 2021 is denominated in RMB, US\$ and HK\$.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	831,213	901,680
US\$	981	898
HK\$	153	140
	832,347	902,718

- (b) Amounts due to non-controlling interests and their related parties are interest free and repayable on demand.
- (c) The deposits payables mainly include: (i) the deposits from property purchasers of the Group; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured, interest free and repayable according to terms and conditions mutually agreed with the counter parties.
- (d) Other payables mainly represent payables to third parties and maintenance funds, which are unsecured, interest free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

31 CASH FLOW INFORMATION

(a) Cash used in operations:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
(Loss)/profit for the year	(887,825)	198,823
Adjustments for:		
Income tax expense	(144,824)	164,916
Finance income	(6,760)	(18,430)
Finance costs	27,699	12,064
Depreciation and amortisation of property, plant and equipment, intangible assets and right-of-use assets (Note 6)	29,214	29,076
Share of results of associates	(3,037)	(29,038)
Share of results of a joint venture	–	5,404
Fair value gain on the remeasurement of investment in a joint venture (Note 9)	–	(34,121)
Fair value losses on investment properties (Note 9)	15,920	9,208
Interest of financial assets at fair value through profit or loss (Note 9)	(92)	(2,531)
Losses on disposal of subsidiaries (Note 9)	121,438	–
Losses on disposal of an associate (Note 9)	5,622	–
Net impairment losses on right-of-use assets (Note 9)	25,180	–
Net impairment losses on financial assets	36,869	5,837
Net impairment losses on completed properties held for sale and properties under development	679,553	–
(Gains)/losses on disposals of property, plant and equipment (Note 9)	(8,473)	78
Interest income from a related-party (Note 7)	(11,507)	–
Net exchange differences	17,116	(57)
Realisation of unrealised profits	(862)	(1,810)
	(104,769)	339,419
Changes in working capital:		
Properties under development and completed properties held for sale and inventories	(698,398)	(2,039,597)
Restricted cash	522,606	(735,748)
Trade and other receivables and prepayments	(108,889)	1,142,459
Prepaid taxes (excluding prepaid income taxes)	23,789	(63,719)
Contract costs	(80,583)	(10,524)
Trade and other payables	66,800	(548,958)
Contract liabilities	1,271,905	529,202
	997,230	(1,726,885)
Cash generated from/(used in) operations	892,461	(1,387,466)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

31 CASH FLOW INFORMATION (CONTINUED)

- (b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net book amount (<i>Note 17</i>)	11,599	147
Gains/(losses) on disposals (<i>Note 9</i>)	8,473	(78)
Proceeds	20,072	69

- (c) Reconciliation of liabilities arising from financing activities:

	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Lease liabilities RMB'000	Amounts due to non- controlling interests and their related parties	Total RMB'000
				RMB'000	
Balance as at 1 January 2021	1,542,827	1,568,978	68,730	422,575	3,603,110
Cash flows – financing activities	(531,218)	1,045,680	(6,563)	522,637	1,030,536
Reclassification	1,227,312	(1,227,312)	–	–	–
Other changes (<i>Note (i)</i>)	–	869,430	3,587	–	873,017
Balance as at 31 December 2021	2,238,921	2,256,776	65,754	945,212	5,506,663
Balance as at 1 January 2022	2,238,921	2,256,776	65,754	945,212	5,506,663
Cash flows – financing activities	(793,974)	(206,562)	(6,747)	(384,236)	(1,391,519)
Reclassification	670,893	(670,893)	–	–	–
Disposal of subsidiaries	–	–	–	(245,752)	(245,752)
Other changes (<i>Note (i)</i>)	(318,767)	452,099	3,252	–	136,584
Balance as at 31 December 2022	1,797,073	1,831,420	62,259	315,224	4,005,976

- (i) Other changes include non-cash movements, mainly including: (i) renew of syndicated loan; (ii) accrued interest expense on lease liabilities, (iii) amortisation of issuance costs, accrued interest of bank and other borrowings, (iv) currency translation differences and (v) change from a joint venture to a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

32 GUARANTEE

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (<i>Note (a)</i>)	2,084,461	1,636,560
Guarantees for a joint venture and an associate (<i>Note (b)</i>)	672,575	387,500

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages.

The Group considers that in case of default in payments by purchasers, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalty and therefore no provision has been made in the financial statements for the guarantees.

- (b) As at 31 December 2022, the Group had provided guarantees for borrowings of the Group's joint venture amounting to RMB361,875,000 (31 December 2021: RMB387,500,000) and for other payables of the Group's associate amounting to RMB310,700,000 (31 December 2021: nil)

In the opinion of the Directors, the fair values of the financial guarantee contracts of the Group are insignificant at initial recognition and the Directors consider that the possibility of the default of the parties involved is remote, and therefore no provision has been made in the financial statements for the guarantees.

33 COMMITMENTS

Commitments for property development expenditure:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contracted but not provided for:		
Acquisition of land use rights	–	459,000
Property development activities	1,319,279	1,525,173
	1,319,279	1,984,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

34 LEASE LIABILITIES

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to lease liabilities:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Right-of-use assets	214,143	248,953

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Lease liabilities		
Current	4,186	5,551
Non-current	58,073	60,203
	62,259	65,754

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to lease:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Amortisation charge of right-of-use assets	9,765	9,650
Interest expense (included in finance costs)	3,042	3,208

The total cash outflow for leases for the year ended 31 December 2022 was RMB8,286,000 (2021: RMB8,674,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

34 LEASE LIABILITIES (CONTINUED)

(c) Commitments and present value of lease liabilities are shown in the table below for the year ended 31 December 2022 and 2021:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Commitments in relation to lease liabilities are payable as follows:		
Within 1 year	7,075	8,589
1 to 2 years	4,339	5,020
2 to 5 years	10,514	12,141
Over 5 years	128,043	130,755
Minimum lease payments	149,971	156,505
Future finance charges	(87,712)	(90,751)
Total lease liabilities	62,259	65,754

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
The present value of lease liabilities is as follows:		
Within 1 year	4,186	5,551
1 to 2 years	1,532	2,131
2 to 5 years	2,435	3,908
Over 5 years	54,106	54,164
	62,259	65,754

(d) Movements of lease liabilities are shown in the table below for the year ended 31 December 2021:

	Lease liabilities – current	Lease liabilities – non-current
	RMB'000	RMB'000
At 1 January 2021	5,122	63,608
Lease payment	(6,563)	–
Accrued interest	3,208	–
Increase in right-of-use assets	179	318
Exchange difference	(52)	(66)
Reclassification between current and non-current	3,657	(3,657)
As at 31 December 2021	5,551	60,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

34 LEASE LIABILITIES (CONTINUED)

(d) Movements of lease liabilities are shown in the table below for the year ended 31 December 2022:

	Lease liabilities – current RMB'000	Lease liabilities – non-current RMB'000
At 1 January 2022	5,551	60,203
Lease payment	(6,747)	–
Accrued interest	3,042	–
Exchange difference	167	43
Reclassification between current and non-current	2,173	(2,173)
As at 31 December 2022	4,186	58,073

35 RELATED PARTY TRANSACTIONS

The ultimate holding company of the Company is Sze Ming Limited, and the ultimate controlling shareholder of the Company is CHAN Sze Ming Michael, who owns 72.9% of the Company's shares.

(a) Name and relationship with related parties

Name	Relationship
CHAN Sze Ming Michael	Ultimate controlling shareholder
Donghuzhou (Note (i))	Associate of the Group (From 1 January 2022 to 29 December 2022)
Guangzhou Zhujing	Associate of the Group
Nanjing Longguang	Associate of the Group
Zhongshan Jingyue	Joint venture of the Group

(i) The equity interest of the associate was disposed of on 29 December 2022 and it was not a related party since 29 December 2022 (Note 16(b)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

The Group had the following transactions with related parties for the year ended 31 December 2022 and 2021:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
(i) Rendering of property management services		
– Donghuzhou	1,689	1,580
– Guangzhou Zhujing	990	379
Total	2,679	1,959
(ii) Rendering of management consultancy services		
– Donghuzhou	8,783	8,392
(iii) Rendering of decoration services		
– Donghuzhou	2,030	12,435
(iv) Rendering of interest income		
– Guangzhou Zhujing	11,507	–
(v) Guarantee provided by shareholder in respect of borrowings outstanding		
– ultimate controlling shareholder	1,098,376	1,278,553
(vi) Property management service fee charged by		
– Nanjing Longguang	2,191	–

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Amounts due from related parties		
Trade balances		
– Donghuzhou	–	3,104
– Guangzhou Zhujing	371	401
	371	3,505
Non-trade balances		
– Zhongshan Jingyue	50,853	–
– Donghuzhou	–	6,057
– Guangzhou Zhujing	147,090	62,150
	197,943	68,207
Total amounts due from related parties	198,314	71,712

- (i) Amounts due from Guangzhou Zhujing represent the cash advances which are unsecured with interest rate at 11% and repayable on demand, and the amount due from other related parties mainly represent the cash advances which are unsecured, interest-free and repayable on demand.

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Providing guarantees to related parties		
– Zhongshan Jingyue	361,875	387,500
– Guangzhou Zhujing	310,700	–
	672,575	387,500

(d) Key management compensation

Key management compensation for the years ended 31 December 2022 and 2021 are set out below:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Key management compensation		
– Salaries and other employee benefits	9,286	13,469
– Pension costs	99	101
– Fees	1,063	1,131
	10,448	14,701

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES

(a) Particulars of the subsidiaries of the Group as at 31 December 2022 are set out as below:

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
景業控股有限公司 Jingye Holdings Limited (*Jingye Holdings (BVI)*)	13/12/2013	Limited liability company	BVI	Investment holding	US\$201	US\$201	100%	-	-
廣州意濃實業有限公司 Guangzhou Yinong Enterprise Co., Ltd.*	01/07/2002	Limited liability company	Mainland China	Property development	RMB1,020,500,000	RMB1,020,455,000	-	100%	-
廣州市景業房地產開發有限公司 Guangzhou Jingye Real Estate Development Co., Ltd.	18/06/2008	Limited liability company	Mainland China	Property development	RMB301,000,000	RMB301,000,000	-	100%	-
海南景業房地產開發有限公司 Hainan Jingye Real Estate Development Co., Ltd.	25/12/2013	Limited liability company	Mainland China	Property development	RMB100,000,000	RMB100,000,000	-	100%	-
廣州卓都物業管理有限公司 Guangzhou Zhuodu Property Management Co., Ltd.	30/07/2014	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB1,000,000	-	100%	-
海南卓都物業服務有限公司 Hainan Zhuodu Property Services Co., Ltd.	31/10/2014	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB1,000,000	-	100%	-
中山市景雅裝飾工程有限公司 Zhongshan Jingya Decoration Engineering Co., Ltd.	25/03/2005	Limited liability company	Mainland China	Building decoration	RMB500,000	RMB500,000	-	100%	-
廣州廣澤房地產開發有限公司 Guangzhou Guangze Real Estate Development Co., Ltd.	05/11/2010	Limited liability company	Mainland China	Property development	RMB10,000,000	RMB10,000,000	-	100%	-
廣州市江河水泥製品有限公司 Guangzhou Jianghe Cement Products Co., Ltd.	14/03/2001	Limited liability company	Mainland China	Property development	RMB10,500,000	RMB10,500,000	-	100%	-
景業控股(香港)有限公司 Jingye Holdings (HK) Limited	02/01/2014	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the subsidiaries of the Group as at 31 December 2022 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
景業健康產業控股有限公司 Jingye Health Industry Holdings Limited	19/11/2015	Limited liability company	BVI	Health management	US\$1	US\$1	-	100%	-
景業健康產業有限公司 Jingye Health Industry Limited	30/11/2015	Limited liability company	Hong Kong	Health management	HK\$1	HK\$1	-	100%	-
廣州卓思道酒店管理有限公司 Guangzhou Zhuosidao Hotel Management Co., Ltd.*	22/07/2015	Limited liability company	Mainland China	Hotel management	RMB50,000,000	RMB50,000,000	-	100%	-
廣州市舜邦投資有限公司 Guangzhou Shunbang Investment Co., Ltd.	21/08/2015	Limited liability company	Mainland China	Property investment	RMB50,000,000	RMB50,000,000	-	100%	-
廣東景業健康產業發展有限公司 Guangdong Jingye Health Industry Development Co., Ltd.*	05/12/2016	Limited liability company	Mainland China	Business management	RMB10,000,000	RMB1,016,000	-	100%	-
廣州市舜安健康產業管理有限公司 Guangzhou Shun'an Health Industry Management Co., Ltd.	05/01/2016	Limited liability company	Mainland China	Health management	RMB1,000,000	RMB1,000,000	-	100%	-
廣州景譽健康管理發展有限公司 Guangzhou Jingyu Health Industry Development Co., Ltd.	10/03/2016	Limited liability company	Mainland China	Health management	RMB10,000,000	RMB200,000	-	100%	-
廣州崇譽投資有限公司 Guangzhou Chongyu Investment Co., Ltd.	18/01/2017	Limited liability company	Mainland China	Business management	RMB400,000,000	RMB346,436,000	-	60%	40%
廣州新芳實業有限公司 Guangzhou Xinfang Enterprise Co., Ltd.	08/06/2000	Limited liability company	Mainland China	Property development	RMB399,000,000	RMB344,010,000	-	60%	40%
廣州顯邦投資有限公司 Guangzhou Haobang Investment Co., Ltd.	31/05/2010	Limited liability company	Mainland China	Property development	RMB10,000,000	RMB10,000,000	-	60%	40%
英德景業房地產有限公司 Yingde Jingye Real Estate Co., Ltd.	12/09/2017	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB50,000,000	-	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the subsidiaries of the Group as at 31 December 2022 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
廣州創藝裝飾工程有限公司 Guangzhou Chuangyi Decoration Engineering Co., Ltd.	24/04/2017	Limited liability company	Mainland China	Building decoration	RMB50,000,000	RMB50,090,000	-	100%	-
英德桑緣農業發展有限公司 Yingde Sangyuan Agriculture Development Co., Ltd.	11/04/2014	Limited liability company	Mainland China	Property development	RMB52,000,000	RMB52,000,000	-	80%	20%
英德市山湖居房地產開發有限公司 Yingde Shanhuju Real Estate Development Co., Ltd.	22/07/2011	Limited liability company	Mainland China	Property development	RMB25,000,000	RMB25,000,000	-	100%	-
英德景創房地產開發有限公司 Yingde Jingchuang Real Estate Development Co., Ltd.	19/09/2017	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB35,000,000	-	70%	30%
英德金雄水泥有限公司 Yingde Jinxiong Cement Co., Ltd.	19/05/1994	Limited liability company	Mainland China	Property development	RMB24,120,000	RMB24,120,000	-	100%	-
廣州市番禺區德誠銅業有限公司 Guangzhou Panyu Decheng Copper Co., Ltd.	08/06/1999	Limited liability company	Mainland China	Property development	RMB2,000,000	RMB2,000,000	-	100%	-
舜邦投資管理(香港)有限公司 Shunbang Investment Management (HK) Limited	22/11/2017	Limited liability company	Hong Kong	Investment holding	HK\$1,000,000	HK\$10	-	100%	-
舜邦投資管理控股有限公司 Shunbang Investment Management Holdings Limited	01/11/2017	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
舜邦商務管理(廣州)有限公司 Shunbang Corporate Management (Guangzhou) Co., Ltd.*	23/04/2018	Limited liability company	Mainland China	Business management	RMB100,000,000	RMB50,000,000	-	100%	-
景業名邦控股(廣州)有限公司 Jingye Mingbang Holdings (Guangzhou) Co., Limited*	27/03/2018	Limited liability company	Mainland China	Business management	RMB850,000,000	RMB850,000,000	-	100%	-
騰衝景業房地產開發有限公司 Tengchong Jingye Real Estate Development Co., Ltd.	24/01/2018	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB50,000,000	-	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the subsidiaries of the Group as at 31 December 2022 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
卓思道酒店管理控股有限公司 Zhuosidao Hotel Management Holdings Limited	27/03/2018	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
景業酒店管理(香港)有限公司 Jingye Hotel Management (HK) Limited	30/04/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-
株洲景業房地產開發有限公司 Zhuzhou Jingye Real Estate Development Co., Ltd.	25/07/2018	Limited liability company	Mainland China	Property development	RMB300,000,000	RMB300,000,000	-	100%	-
廣州市景悅房地產有限公司 Guangzhou Jingyue Real Estate Co., Ltd.	20/08/2018	Limited liability company	Mainland China	Property development	RMB10,000,000	RMB0	-	90%	10%
肇慶市景悅科技發展有限公司 Zhaqing Jingyue Technology Development Co., Ltd.	28/08/2018	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB50,000,000	-	90%	10%
廣州市普盛房地產開發有限公司 Guangzhou Pusheng Real Estate Development Co., Ltd.	22/12/2015	Limited liability company	Mainland China	Property development	RMB5,000,000	RMB5,000,000	-	100%	-
海南恒煜房地產開發有限公司 Hainan Xuanyu Real Estate Development Co., Ltd.	16/10/2017	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB50,000,000	-	100%	-
雅安景業健康產業發展有限公司 Ya'an Jingye Health Industry Development Co., Ltd.	27/07/2018	Limited liability company	Mainland China	Health management	RMB100,000,000	RMB30,000,000	-	100%	-
英德市錦坤實業投資有限公司 Yingde Jinkun Enterprise Investment Co., Ltd.	11/09/2014	Limited liability company	Mainland China	Property development	RMB1,000,000	RMB1,000,000	-	100%	-
英德市卓都物業管理有限公司 Yingde Zhuodu Property Management Co., Ltd.	24/08/2018	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB0	-	100%	-
雲南卓都物業管理有限公司 Yunnan Zhuodu Property Management Co., Ltd.	20/09/2018	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB1,000,000	-	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the subsidiaries of the Group as at 31 December 2022 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
創藝控股有限公司 Chuangyi Holdings Limited	05/07/2018	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
創藝控股(香港)有限公司 Chuangyi Holdings (HK) Limited	30/08/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-
泓創控股(廣州)有限公司 Hongchuang Holdings (Guangzhou) Co., Ltd.*	25/10/2018	Limited liability company	Mainland China	Investment holding	RMB5,000,000	RMB5,000,000	-	100%	-
廣州市泓創建設有限公司 Guangzhou Hongchuang Construction Co., Ltd.	07/11/2018	Limited liability company	Mainland China	Construction Development	RMB150,000,000	RMB150,000,000	-	100%	-
湖南卓都物業服務有限公司 Hunan Zhuodu Property Services Co., Ltd.	08/01/2019	Limited liability company	Mainland China	Property management	RMB3,000,000	RMB0	-	100%	-
景業名邦投資(威海)有限公司 Jingye Mingbang Investment (Weihai) Co., Ltd.*	24/06/2019	Limited liability company	Mainland China	Investment holding	RMB350,000,000	RMB130,000,000	-	100%	-
威海景隆投資發展有限公司 Weihai Jinglong Investment Development Co., Ltd.	04/07/2019	Limited liability company	Mainland China	Investment holding	RMB130,000,000	RMB130,000,000	-	100%	-
廣州景隆投資發展有限公司 Guangzhou Jinglong Investment Development Co., Ltd.	15/07/2019	Limited liability company	Mainland China	Investment holding	RMB130,000,000	RMB130,000,000	-	100%	-
肇慶卓都物業管理有限公司 Zhaqing Zhuodu Property Management Co., Ltd.	16/08/2019	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB0	-	100%	-
騰衝景盛房地產開發有限公司 Tengchong Jingsheng Real Estate Co., Ltd.	16/03/2020	Limited liability company	Mainland China	Property management	RMB50,000,000	RMB50,000,000	-	100%	-
騰衝景隆置業有限公司 Tengchong Jinglong Real Estate Co., Ltd.	09/04/2020	Limited liability company	Mainland China	Property management	RMB50,000,000	RMB0	-	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the subsidiaries of the Group as at 31 December 2022 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
騰衝卓思道酒店有限公司 Tengchong Zhuosidao Hotel Co., Ltd.	03/03/2020	Limited liability company	Mainland China	Hotel management	RMB3,000,000	RMB0	-	100%	-
景星控股(香港)有限公司 Jingxing Holdings (HK) Limited	20/04/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
幸領環球有限公司 Lucky Lead Global Limited ("Lucky Lead (BVI)")	05/02/2020	Limited liability company	BVI	Investment holding	US\$310,000,000	US\$184,010,000	-	51%	49%
幸領環球(香港)有限公司 Lucky Lead Global (HK) Limited	20/04/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	51%	49%
景蕊控股(香港)有限公司 Jingou Holdings (HK) Limited	19/10/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
景茂控股(香港)有限公司 Jingmao Holdings (HK) Limited	19/10/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	51%	49%
廣州幸領投資發展有限公司 Guangzhou Lucky Lead Investment Development Limited	20/11/2020	Limited liability company	Mainland China	Investment holding	RMB1,000,000,000	RMB1,000,000,000	-	51%	49%
幸領環球投資(南京)有限公司 Lucky Lead Global Investment (Nanjing) Limited*	19/11/2020	Limited liability company	Mainland China	Investment holding	RMB1,000,000,000	RMB1,000,000,000	-	51%	49%
南京景耀尚御業發展有限公司 Nanjing Jinglong Shangyu Enterprise Investment Limited* ("Nanjing Jinglong Shangyu")	24/12/2020	Limited liability company	Mainland China	Property development	RMB1,060,000,000	RMB1,060,000,000	-	26%	74%
南京萬華通控股有限公司 Nanjing Wanhuatong Holdings Limited	19/11/2020	Limited liability company	Mainland China	Property development	RMB1,200,000,000	RMB1,200,000,000	-	100%	-
廣州卓思道民宿管理有限公司 Guangzhou Zhuo Si Dao B&B Management Co., Ltd.	22/04/2021	Limited liability company	Mainland China	Hotel management	RMB2,000,000	RMB0	-	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the subsidiaries of the Group as at 31 December 2022 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
廣州卓思道公寓管理有限公司 Guangzhou Zhuo Sidao Apartment Management Co., Ltd.	27/04/2021	Limited liability company	Mainland China	Hotel management	RMB2,000,000	RMB0	-	100%	-
湖南卓豐物業服務有限公司 Hunan Zhuofeng Property Service Co., Ltd.	17/12/2020	Limited liability company	Mainland China	Property management	RMB10,000,000	RMB0	-	51%	49%
廣州景盛房地產發展有限公司 Guangzhou Jingsheng Real Estate Development Co., Ltd.	18/12/2020	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB50,000,000	-	100%	-
廣州景譽投資有限公司 Guangzhou Jingyu Investment Co., Ltd.	03/06/2021	Limited liability company	Mainland China	Health management	RMB10,000,000	RMB0	-	70%	30%
廣州鑫澤集永房地產開發有限公司 Guangzhou Xinze Jiyong Real Estate Development Co., Ltd	12/10/2020	Limited liability company	Mainland China	Property development	RMB166,666,700	RMB166,666,700	-	51%	49%
廣州卓行物業管理有限責任公司 Guangzhou Zhuoxing Property Management Co., Ltd.	05/07/2021	Limited liability company	Mainland China	Property management	RMB1,000,000	RMB0	-	100%	-
廣州景譽房地產開發有限公司 Guangzhou Jingyu Real Estate Development Co., Ltd.	22/07/2020	Limited liability company	Mainland China	Property development	RMB50,000,000	RMB50,000,000	-	51%	49%
益堡環球(香港)有限公司 Profit Castle Global (HK) Limited	04/01/2021	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
榮聲環球(香港)有限公司 Prestige Voice Global (HK) Limited	04/01/2021	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
愉庭集團(香港)有限公司 Jovial Garden Group (HK) Limited	04/01/2021	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
景業名邦集團控股有限公司 JY Grandmark Holdings Limited	20/08/2014	Limited liability company	BVI	Investment holding	US\$1	US\$1	-	100%	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

(a) Particulars of the subsidiaries of the Group as at 31 December 2022 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
捷衛控股有限公司 Hero Guard Holdings Limited	16/04/2022	Limited liability company	BVI	Investment holding	US\$1	US\$1	-	100%	-
愉庭集團有限公司 Jovial Garden Group Limited	25/09/2020	Limited liability company	BVI	Investment holding	US\$1	US\$1	-	100%	-
榮聲環球有限公司 Prestige Voice Global Limited	28/08/2020	Limited liability company	BVI	Investment holding	US\$1	US\$1	-	100%	-
益堡環球有限公司 Profit Castle Global Limited	18/08/2020	Limited liability company	BVI	Investment holding	US\$1	US\$1	-	100%	-
盛貿環球有限公司 Abundant Trade Global Limited	05/02/2020	Limited liability company	BVI	Investment holding	US\$1	US\$1	-	100%	-
廣州市愉尚投資有限公司 Guangzhou Yushang Investment Co., Ltd.	13/05/2022	Limited liability company	Mainland China	Property investment	RMB10,000,000	RMB0	-	100%	-
廣州愉昇商業管理有限公司 Guangzhou Yusheng Business Management Co., Ltd.	17/05/2022	Limited liability company	Mainland China	Property investment	RMB1,000,000	RMB0	-	100%	-

Registered as wholly foreign owned enterprises under PRC law

® Registered as sino-foreign equity joint venture under PRC law

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

The accumulated non-controlling interests as at 31 December 2022 was RMB1,470,913,000 (2021: RMB1,669,012,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

(b) Non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised balance sheet

	Lucky Lead (BVI)		Nanjing Jinglong Shangyu	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Current assets	4,668,663	4,247,504	2,724,050	2,338,761
Current liabilities	(2,709,795)	(1,978,282)	(1,564,339)	(848,695)
Current net assets	1,958,868	2,269,222	1,159,711	1,490,066
Non-current assets	44,505	26,240	43,877	25,911
Non-current liabilities	(178,730)	(475,000)	(178,730)	(475,000)
Non-current net assets	(134,225)	(448,760)	(134,853)	(449,089)
Net assets	1,824,643	1,820,462	1,024,858	1,040,977
Equity attributable to owners of the subsidiaries	1,154,074	1,310,383	522,678	530,898
Accumulated NCI	670,569	692,229	502,180	510,079

Summarised statement of comprehensive income

	Lucky Lead (BVI)		Nanjing Jinglong Shangyu	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	–	–	–	–
Selling and marketing expenses	(1,656)	(16,815)	(1,656)	(16,815)
Administrative expenses	(23,176)	(8,583)	(21,944)	(8,025)
Loss for the year	(17,073)	(19,344)	(16,119)	(18,786)
Total comprehensive loss	(17,073)	(19,344)	(16,119)	(18,786)
Total comprehensive loss attributable to owners of the subsidiaries	(4,679)	(4,968)	(8,221)	(9,581)
Loss allocated to NCI	(12,394)	(14,376)	(7,898)	(9,205)
Dividends paid to NCI	–	107,692	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

36 PARTICULARS OF SUBSIDIARIES (CONTINUED)

(b) Non-controlling interests (continued)

Summarised cash flows

	Lucky Lead (BVI)		Nanjing Jinglong Shangyu	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Cash flows generated from/ (used in) operating activities	439,150	(638,609)	439,150	(408,877)
Cash flows used in investing activities	(86,730)	(51)	(86,730)	(51)
Cash flows (used in)/generated from financing activities	(402,871)	745,696	(349,421)	500,000
Net (decrease)/increase in cash and cash equivalents	(50,451)	107,036	2,999	91,072

37 DISPOSAL OF SUBSIDIARIES

(a) Description

- (i) On 1 September 2022, the Group entered into an equity transfer agreement with Gemdale Real Estate Development Construction (Hengqin) Co., Ltd. ("**Gemdale Hengqin**"), pursuant to which, the Group agreed to dispose of and Gemdale Hengqin agreed to acquire the 50% equity interest in Guangzhou Jinshuo Real Estate Development Co., Ltd. and its subsidiary at a consideration of RMB38,155,000.
- (ii) On 9 December 2022, the Group entered into an equity transfer agreement with Guangzhou Bozhong Investment Co., Ltd. ("**Guangzhou Bozhong**") and Guangdong Shengzhong Construction Engineering Limited ("**Guangdong Shengzhong**"), pursuant to which the Group agreed to dispose of and Guangzhou Bozhong agreed to acquire 100% of the equity interest in Guangdong Shengzhong at a consideration of RMB94,000,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

37 DISPOSAL OF SUBSIDIARIES (CONTINUED)

(b) Details of the disposal of the subsidiaries

During the year ended 31 December 2022, the Group disposed of interests in the subsidiaries mentioned above to third parties. Details of the disposals are as follows:

	Year ended 31 December 2022 RMB'000
Disposal consideration	
– Cash received	40,155
– Cash to be received	676
– Consideration settled by amounts due to Guangdong Shengzhong	91,324
	132,155
Property, plant and equipment	99
Intangible assets	4
Cash and cash equivalents	2,354
Restricted cash	5,144
Trade receivables, prepayments and other receivables	122,332
Prepaid taxes	6,003
Properties under development	615,366
Deferred income tax assets	294
Trade and other payables	(333,998)
Deferred income tax liabilities	(5,777)
Non-controlling interests	(158,228)
Total net assets	253,593
Losses on disposal before income tax	(121,438)
Income tax expense	30,360
Losses on disposal	(91,078)
Cash proceeds	
– Cash and cash equivalents of the subsidiaries disposed	(2,354)
Net cash inflow on disposal	37,801

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

38 THE COMPANY'S STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS

(a) The Company's statement of financial position is as follows:

	<i>Notes</i>	As at 31 December	
		2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		1,956,820	1,956,820
Current assets			
Amounts due from subsidiaries		2,024,234	1,808,885
Restricted cash		10,341	5,454
Cash and cash equivalents		2,043	130,995
		2,036,618	1,945,334
Total assets		3,993,438	3,902,154
EQUITY			
Share capital	27	14,746	14,746
Other reserves		2,014,885	2,030,853
Accumulated losses		(40,247)	(18,325)
Total equity		1,989,384	2,027,274
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		403,847	–
Current liabilities			
Other payables		980	552
Amounts due to subsidiaries		455,977	339,356
Bank and other borrowings		1,143,250	1,534,972
		1,600,207	1,874,880
Total liabilities		2,004,054	1,874,880
Total equity and liabilities		3,993,438	3,902,154

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

38 THE COMPANY'S STATEMENT OF FINANCIAL POSITION AND RESERVES MOVEMENTS (CONTINUED)

(b) Movements of the Company's other reserves are as follows:

	Other reserves RMB'000	Accumulated loss RMB'000
Balance at 1 January 2021	2,232,168	(30,772)
Loss for the year	–	(18,325)
Transfer to retained earnings	(30,772)	30,772
Dividends paid	(170,543)	–
At 31 December 2021	2,030,853	(18,325)
Balance at 1 January 2022	2,030,853	(18,325)
Loss for the year	–	(21,922)
Dividends paid	(15,968)	–
At 31 December 2022	2,014,885	(40,247)

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The directors' emoluments paid/payable by the Group for the year ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Fees, salaries and other benefits	5,350	9,116
Fees	1,063	1,131
Pension costs	47	51
Total	6,460	10,298

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

(i) For the year ended 31 December 2022

Name of Directors	Salaries RMB'000	Discretionary bonuses RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
<i>Executive Directors</i>					
Mr. CHAN Sze Ming Michael (Chairman)	1,907	–	14	259	2,180
Mr. LIU Huaxi	1,185	–	11	223	1,419
Ms. ZHENG Catherine Wei Hong (President)	921	–	11	223	1,155
Mr. WU Xinping	850	–	11	179	1,040
Ms. WEI Miaochang	487	–	–	179	666
	5,350	–	47	1,063	6,460

(ii) For the year ended 31 December 2021

Name of Directors	Salaries RMB'000	Discretionary bonuses RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
<i>Executive Directors</i>					
Mr. CHAN Sze Ming Michael (Chairman)	1,697	–	15	300	2,012
Mr. LIU Huaxi	2,265	–	10	204	2,479
Ms. ZHENG Catherine Wei Hong (President)	1,706	–	10	204	1,920
Mr. XUE Shuangyou	1,063	–	6	95	1,164
Mr. WU Xinping	1,678	–	10	164	1,852
Ms. WEI Miaochang	707	–	–	164	871
	9,116	–	51	1,131	10,298

Note:

Mr. CHAN Sze Ming Michael, Ms. ZHENG and Mr. WU were appointed as the Company's executive directors on 2 November 2018.

Mr. LIU and Ms. WEI were appointed as the Company's executive directors on 24 May 2019.

Mr. MA Ching Nam, Mr. LEONG Chong and Mr. WU William Wai Leung were appointed as the Company's independent non-executive directors on 13 November 2019, and their remunerations totalled RMB725,000 for the year ended 31 December 2022 (2021: RMB697,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(All amounts in RMB thousands unless otherwise stated)

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' emoluments (continued)

Note: (continued)

No remunerations are paid or receivables in respect of accepting offices as director for the years ended 31 December 2022 and 2021.

No emoluments are paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2022 and 2021.

No director waived or agreed to waive any emoluments for the years ended 31 December 2022 and 2021.

(b) Directors' retirement benefits

For the years ended 31 December 2022 and 2021, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

For the years ended 31 December 2022 and 2021, no payments to the directors of the Company as compensation for the early termination of the appointment.

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

For the years ended 31 December 2022 and 2021, the Company didn't pay any third party for making available directors' services.

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

For the years ended 31 December 2022 and 2021, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.

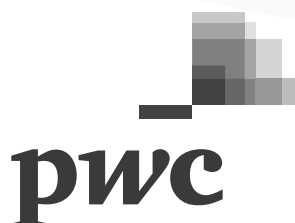
(f) Directors' material interests in transactions, arrangements or contracts

Save as disclosed in Note 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the years ended 31 December 2022 and 2021.

40 EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

On 12 January 2023, the Company issued senior notes with nominal interest rate 9.5% due 11 January 2024 in an aggregate principal amount of US\$152,100,000. The issue of the New Senior Notes was related to the exchange offer of the existing 2022 Notes amounting to US\$152,100,000. The New Senior Notes were listed on the Stock Exchange on 13 January 2023.

Independent Auditor's Report



To the Shareholders of JY Grandmark Holdings Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of JY Grandmark Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”), which are set out on pages 102 to 209, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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 Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) 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 (“**HKSAs**”) issued by the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1 to the consolidated financial statements, which states that the Group recorded a net cash outflow from operation of RMB1,718 million for the year ended 31 December 2021. At the same date, the Group had total bank and other borrowings of RMB4,496 million, of which RMB2,239 million were current bank and other borrowings repayable within 12 months, while the Group's cash and cash equivalents amounted to RMB1,030 million. These conditions, along with other events and conditions that set out in Note 2.1, indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matter identified in our audit is summarised as follows:

- Assessment of net realisable value ("NRV") of properties under development ("PUD") and completed properties held for sale ("PHS")

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Assessment of NRV of PUD and PHS</p> <p>Refer to notes 4(a), 21 and 22 to the consolidated financial statements.</p> <p>PUD and PHS amounted to RMB7,494,460,000 and RMB1,505,612,000 respectively as at 31 December 2021, which in aggregate accounted for approximately 65% of the Group's total assets. PUD and PHS are stated at the lower of cost and NRV. NRV is determined by referencing to the estimated selling price based on prevailing market conditions less estimated costs to completion of PUD and variable selling expenses.</p> <p>No NRV provision was made for PUD and PHS based on management's assessment as at 31 December 2021. We focused on NRV assessment because PUD and PHS are major assets of the Group and the determination of NRV involved significant estimates on the selling prices, variable selling expenses and estimated costs to completion of PUD.</p>	<p>We have performed the following procedures to address this key audit matter:</p> <p>(i) We obtained an understanding of management's internal control and assessment process of the NRV of PUD and PHS, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity of assessment and subjectivity of significant assumptions and data used.</p> <p>(ii) We evaluated and tested management's key internal control over the Group's process in determining the selling prices, variable selling expenses and costs to completion of PUD;</p> <p>(iii) We understood, evaluated and tested the internal controls over the assessment of NRV of PUD and PHS assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors.</p>

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
	<p>(iv) We selected, on a sample basis, PUD and PHS projects and challenged management's estimates when determining the NRV of PUD and PHS by:</p> <ul style="list-style-type: none"> • Comparing the estimated selling price to the most recent selling price for the PUD and PHS or the prevailing market price of similar type of properties in similar locations; • Comparing the ratio of estimated variable selling expenses to the selling price with the Group's historical ratio to assess whether the estimated variable selling expenses were within a reasonable range; • Assessing the Group's estimates of the anticipated costs to completion for PUD by reconciling the actual costs incurred to approved budgets. We compared the major cost compositions contained in these budgets with the actual cost compositions of similar type of properties in similar locations.
	<p>We found that management's estimates used in the assessment of NRV of PUD and PHS are properly supported by available evidences.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of 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 Directors and Those Charged with Governance 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 HKFRSs issued by the HKICPA 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance 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 judgment 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.

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

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

We also provide those charged with governance 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 those charged with governance, 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 Yeung Chor Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 April 2022

Consolidated Statement of Financial Position

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December	
		2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	288,664	301,807
Right-of-use assets	18	248,953	258,196
Investment properties	19	280,044	289,252
Intangible assets	20	3,232	2,443
Other receivables and prepayments	23	11,634	13,805
Deferred income tax assets	15	176,033	100,234
Investments accounted for using the equity method	16	140,394	108,743
		1,148,954	1,074,480
Current assets			
Inventories		1,656	1,510
Contract costs	5	39,885	18,746
Properties under development	21	7,494,460	3,714,538
Completed properties held for sale	22	1,505,612	1,680,252
Trade and other receivables and prepayments	23	1,229,044	1,831,304
Prepaid taxes	24	136,467	81,040
Restricted cash	25	1,269,375	323,779
Cash and cash equivalents	26	1,030,394	2,037,665
Amounts due from related parties	35	70,527	123,123
		12,777,420	9,811,957
Total assets		13,926,374	10,886,437

Consolidated Statement of Financial Position (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	As at 31 December	
		2021 RMB'000	2020 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	27	14,746	14,746
Other reserves	28	1,687,351	1,836,263
Retained earnings	28	1,407,730	1,184,234
		3,109,827	3,035,243
Non-controlling interests	36	1,669,012	1,417,808
Total equity		4,778,839	4,453,051
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	15	198,269	124,769
Bank and other borrowings	29	2,256,776	1,568,978
Lease liabilities	34	60,203	63,608
		2,515,248	1,757,355
Current liabilities			
Bank and other borrowings	29	2,238,921	1,542,827
Trade and other payables	30	3,957,452	2,779,260
Lease liabilities	34	5,551	5,122
Current income tax liabilities		430,363	348,822
		6,632,287	4,676,031
Total liabilities		9,147,535	6,433,386
Total equity and liabilities		13,926,374	10,886,437

The notes on pages 107 to 209 form an integral part of these consolidated financial statements.

The financial statements on pages 102 to 209 were approved by the Board of Directors on 21 April 2022 and were signed on its behalf.

CHAN Sze Ming Michael
Director

LIU Huaxi
Director

Consolidated Statement of Comprehensive Income

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Revenue	5	2,043,126	2,347,064
Cost of sales	6	(1,459,901)	(1,434,328)
Gross profit		583,225	912,736
Selling and marketing expenses	6	(153,328)	(124,629)
Administrative expenses	6	(138,088)	(140,958)
Net impairment losses on financial assets	3.1.2	(5,837)	(873)
Other income	7	21,567	15,826
Other expenses	8	(1,223)	(4,105)
Other gains – net	9	33,430	86,721
Operating profit		339,746	744,718
Finance costs	11	(18,071)	(34,492)
Finance income	11	18,430	21,213
Finance income/(costs) – net	11	359	(13,279)
Share of profit of investments accounted for using the equity method	16	23,634	53,071
Profit before income tax		363,739	784,510
Income tax expense	12	(164,916)	(306,113)
Profit for the year		198,823	478,397
Profit attributable to:			
Owners of the Company		216,446	485,203
Non-controlling interests		(17,623)	(6,806)
		198,823	478,397
Other comprehensive income for the year			
<i>Item that may be reclassified to profit or loss</i>			
– Currency translation differences		28,681	40,644
Other comprehensive income for the year, net of tax		28,681	40,644
Total comprehensive income for the year		227,504	519,041
Total comprehensive income attributable to:			
Owners of the Company		245,127	525,847
Non-controlling interests		(17,623)	(6,806)
		227,504	519,041
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	13	0.13	0.29

The notes on pages 107 to 209 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(All amounts in RMB Yuan thousands unless otherwise stated)

	Attributable to owners of the Company					Non-controlling Interests RMB'000	Total RMB'000
	Share capital RMB'000	Other reserves RMB'000	Retained earnings RMB'000	Sub-total RMB'000			
Balance at 1 January 2020	14,746	1,765,202	939,006	2,718,954	100,455	2,819,409	
Comprehensive income							
– Profit/(loss) for the year	–	–	485,203	485,203	(6,806)	478,397	
– Other comprehensive income	–	40,644	–	40,644	–	40,644	
Total comprehensive income/(loss)	–	40,644	485,203	525,847	(6,806)	519,041	
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves	–	30,417	(30,417)	–	–	–	
Dividends paid	–	–	(209,558)	(209,558)	–	(209,558)	
Disposal of a subsidiary	–	–	–	–	(133)	(133)	
Capital injections from non-controlling interests	–	–	–	–	1,324,292	1,324,292	
Total transactions with owners	–	30,417	(239,975)	(209,558)	1,324,159	1,114,601	
Balance at 31 December 2020	14,746	1,836,263	1,184,234	3,035,243	1,417,808	4,453,051	
Balance at 1 January 2021	14,746	1,836,263	1,184,234	3,035,243	1,417,808	4,453,051	
Comprehensive income							
– Profit/(loss) for the year	–	–	216,446	216,446	(17,623)	198,823	
– Other comprehensive income	–	28,681	–	28,681	–	28,681	
Total comprehensive income/(loss)	–	28,681	216,446	245,127	(17,623)	227,504	
Transactions with owners in their capacity as owners:							
Transfer to statutory reserves	–	23,722	(23,722)	–	–	–	
Transfer to retained earnings	–	(30,772)	30,772	–	–	–	
Dividends paid	–	(170,543)	–	(170,543)	(107,692)	(278,235)	
Change from a joint venture to a subsidiary (Note 37)	–	–	–	–	239,819	239,819	
Capital injections from non-controlling interests	–	–	–	–	137,700	137,700	
Changes in ownership interests in subsidiaries without change of control	–	–	–	–	(1,000)	(1,000)	
Total transactions with owners	–	(177,593)	7,050	(170,543)	268,827	98,284	
Balance at 31 December 2021	14,746	1,687,351	1,407,730	3,109,827	1,669,012	4,778,839	

The notes on pages 107 to 209 form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

(All amounts in RMB Yuan thousands unless otherwise stated)

	Notes	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash used in operations	31(a)	(1,387,466)	(1,166,389)
Income tax paid		(66,621)	(153,401)
Interest paid		(263,742)	(251,425)
Net cash used in operating activities		(1,717,829)	(1,571,215)
Cash flows from investing activities			
Cash acquired from change of a joint venture to a subsidiary	37	17,447	–
Payments for acquisition of subsidiaries, net of cash acquired		(11,800)	(5,814)
Net cash outflow from disposal of subsidiaries, net of cash disposed of		–	(17,328)
Purchase of property, plant and equipment and intangible assets		(7,448)	(9,958)
Proceeds from disposal of property, plant and equipment and intangible assets	31(b)	69	304
Investment in a joint venture		–	(27,000)
Investments in associates		(55,346)	–
Dividends received from an associate		30,000	–
Cash advanced to related parties		(17,243)	(111,337)
Interest received on financial assets at fair value through profit or loss		2,531	3,844
Interest received		18,430	21,213
Net cash used in investing activities		(23,360)	(146,076)
Cash flows from financing activities			
Proceeds from borrowings	31(c)	1,286,048	3,586,104
Repayments of borrowings	31(c)	(771,586)	(2,953,776)
Advances from non-controlling interests and their related parties		260,438	360,452
Capital injection from non-controlling interests		137,700	1,324,292
Payment for acquisition of equity interests of non-controlling interest		(12,721)	–
Payments for listing related expenses		–	(2,891)
Decrease in restricted cash for securing bank borrowings		127,276	733,282
Lease payments	31(c)	(3,355)	(5,522)
Dividends paid to non-controlling interests		(107,692)	–
Dividends paid to the Company's shareholders		(170,543)	(209,558)
Net cash generated from financing activities		745,565	2,832,383
Net (decrease)/increase in cash and cash equivalents			
Exchange losses on cash and cash equivalents		(11,647)	(34,360)
Cash and cash equivalents at beginning of year		2,037,665	956,933
Cash and cash equivalents at end of year	26	1,030,394	2,037,665

The notes on pages 107 to 209 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(All amounts in RMB Yuan thousands unless otherwise stated)

1 General information

The Company was incorporated in the Cayman Islands on 2 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket square, Hutchins Drive, PO Box 2618, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the "**Group**") are principally engaged in property development, property management, hotel operations and commercial property investment in the People's Republic of China (the "**PRC**").

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 5 December 2019.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Since January 2020, the epidemic of Coronavirus Disease 2019 (the "**COVID-19**") has spread across China and other countries. COVID-19 may affect the financial performance and position of the industry of real estate including the construction and delivery of properties, rental income, revenue from hotel operations and so on. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. The Directors consider the epidemic would not have a significant impact on the Group's operating results in 2021. The Group will closely monitor the development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group.

2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at fair value and financial assets at fair value through profit or loss.

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Going concern basis

For the year ended 31 December 2021, the Group recorded a net cash outflow from operation of RMB1,718 million. As at 31 December 2021, the Group had total bank and other borrowings of RMB4,496 million, of which RMB2,239 million were current bank and other borrowings repayable within 12 months, while the Group's cash and cash equivalents amounted to RMB1,030 million.

The Group did not fulfill one of the financial covenants as required by the agreement of a syndicated loan (the "**Syndicated Loan**") amounting to RMB523 million as at 31 December 2021, which constituted an event of default and resulted in the Syndicated Loan becoming immediately repayable if requested by the lenders. Consequently, the non-current portion of the Syndicated Loan amounting to RMB354 million with the original contractual repayment dates beyond 31 December 2022 was reclassified and presented as current liabilities.

The business of the Group is subject to extensive governmental regulations and macro-economic control measures of the real estate sector implemented by the PRC government from time to time, and some of these policies and measures may have unfavourable impact to the working capital available to the Group.

All of the above conditions indicated the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the "**Directors**") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The following plans and measures have been taken to mitigate the liquidity pressure and to improve its financial position:

- (i) Subsequent to 31 December 2021, the Group successfully obtained written waiver from the lenders of the Syndicated Loan to waive the requirement from compliance with the relevant financial covenant for the year ended 31 December 2021 and for the 12 months ending 30 June 2022. The Group will continue to monitor its compliance with the covenant requirements before the expiry, which is 29 December 2023, of the Syndicated Loan. Should the Group be unable to comply with any covenant requirements, the management of the Company will discuss and negotiate with the respective lenders and will seek to obtain a waiver of compliance with the covenant requirements from the lenders or to revise the terms and covenant requirements, if needed;
- (ii) In January 2022, the Group successfully exchanged its senior notes with an aggregate principal amount of US\$152 million (equivalent to RMB970 million) due on 7 February 2022 with a newly issued senior notes of the same amount due on 26 January 2023 (the "**New Senior Notes**"). The Group will closely monitor its liquidity position to satisfy the repayment of the New Senior Notes by the due date and will also negotiate with the lenders to seek their agreement for further extended maturity, if needed;

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Going concern basis (continued)

- (iii) The Group had unutilised uncommitted project loan facilities and general facilities of RMB783 million as at 31 December 2021 and will also work with the banks to extend such facilities and to secure new facilities to provide sufficient funding for the Group's project related payments or other operating expenditures. The Directors are of the opinion that such banking facilities will be successfully renewed when they expire;
- (iv) The Group will continue to implement plans and measures to accelerate the pre-sales and sales of its properties under development and completed properties held for sale, and to speed up the collection of outstanding sales proceeds;
- (v) As at 31 December 2021, the Group's restricted cash amounted to RMB1,269 million, which mainly represented the restricted pre-sale proceeds in designated bank accounts and can be used to settle certain construction payables or project loans subject to the approval of the local State-Owned Land and Resource Bureau. The Group will closely monitor the process of construction of its property development projects to ensure that construction and related payments are fulfilled, the relevant properties sold under pre-sale arrangement are completed and delivered to the customers on schedule as planned, such that the Group is able to release restricted cash to meet its other financial obligations; and
- (vi) The Group will also continue to seek for other alternative financing and borrowings to finance the settlement of its existing financial obligations and future operating expenditure.

The Directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2021. In the opinion of the Directors, in light of the above and taking into account the anticipated cash flows to be generated from the Group's operations as well as the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2021. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cashflows through:

- (i) Continuous compliance by the Group of the terms and conditions of the Syndicated Loan and other borrowings and, where applicable, successful negotiation with the lenders to obtain waiver or to revise the terms and conditions of the borrowings for the continuous compliance thereof as and when needed;

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Going concern basis (continued)

- (ii) Successful and timely extension and renewal of its banking facilities and its bank and other borrowings, including project loans, upon maturity as well as obtaining new financing from financial institutions; in particular the successful negotiation with the lenders to secure their agreement to exchange the Group's New Senior Notes maturing in January 2023 with new senior notes with further extended maturity. The Group's ability to obtain these financing depends on (1) current and ongoing regulatory environments and how the relevant policies and measures might affect the Group and/or the relevant financial institutions; (2) whether the lenders of existing borrowings are agreeable to the terms and conditions for such extension or renewal; and (3) the Group's ability to continuously comply with the relevant terms and conditions of its bank and other borrowings including the senior notes;
- (iii) Successful implementation of the plans and measures to accelerate the pre-sales and sales of properties under developments and completed properties held for sale, and timely collection of the relevant sales proceeds;
- (iv) Successful completion and delivery of properties to the customers on schedule such that restricted pre-sale proceeds in the designated bank accounts will be released to meet its other financial obligations as planned; and
- (v) Successful in obtaining other additional sources of financing other than those mentioned above as and when needed.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) New standards, amended standards and interpretation adopted by the Group

Amendments to HKFRS 16	COVID-19-related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform Phase 2

The adoption of new and amended standards and interpretation did not have any material impact on the consolidated financial statements of the Group.

(e) New standards and amendments not yet adopted

The following new standards and amendments have been published that are not mandatory for the year ended 31 December 2021 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	Originally 1 January 2021, but extended to 1 January 2023 by the HKICPA
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	Originally 1 January 2022, but extended to 1 January 2023 by the HKICPA
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Accounting Guideline 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(e) New standards and amendments not yet adopted (continued)

		Effective for accounting periods beginning on or after
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies “Classification of Liabilities as Current or Non-current – Amendments to HKAS 1”
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group's assessment of these new standards and amendments did not identify a significant impact on the Group's financial performance and position.

2.2 Subsidiaries

2.2.1 Consolidation

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

(a) Business combination

Business combinations not under common control

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

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combination (continued)*

Business combinations not under common control (continued)

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

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

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

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combination (continued)*

Business combinations not under common control (continued)

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

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

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

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

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

(c) *Disposal of subsidiaries*

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

2 Summary of significant accounting policies (continued)

2.2 Subsidiaries (continued)

2.2.2 Separate financial statements

Investment in subsidiaries is accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

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

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.3 Associates (continued)

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

2.4 Joint arrangements

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

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in joint ventures, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. When the Group's share of losses in joint ventures equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

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

2 Summary of significant accounting policies (continued)

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss, within ‘finance income – net’. All other foreign exchange gains and losses are presented in profit or loss on a net basis within ‘Other gains – net’.

Changes in the fair value of debt securities denominated in foreign currency classified as fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as fair value through other comprehensive income, are included in other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.6 Foreign currency translation (continued)

(c) Group companies

The results and financial positions of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

2.7 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Buildings	20-70 years
Vehicles and machinery	3-5 years
Others	3-10 years

Buildings mainly comprise office buildings and hotel buildings.

Furniture, fittings and equipment include assets received in the form of free store fit outs are recognised at their fair value. These assets and other leasehold improvements are depreciated over the shorter of their useful life or the lease term, unless the entity expects to use the assets beyond the lease term.

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

2 Summary of significant accounting policies (continued)

2.7 Property, plant and equipment (continued)

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other gains – net' in profit or loss.

Assets under construction are stated at historical cost less any impairment loss. Historical cost includes expenditure that is directly attributable to the development of the assets which comprises construction costs, amortisation of lands during the construction period, borrowing costs on qualifying assets and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

2.8 Intangible assets

Intangible assets mainly comprised of computer software, which are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 2 to 5 years. Costs associated with maintaining computer software programs are recognised as an expense as incurred.

2.9 Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group. They also include properties that are being constructed or developed for future use as investment properties. Land held under leases are accounted for as investment properties when the rest of the definition of an investment property is met. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value, representing open market value determined at each statement of financial position date by external valuer. Property that is being constructed or developed for future use as investment property is classified as investment property under construction. If the fair value cannot be reliably determined, the investment property under construction will be measured at cost until such time as fair value can be determined. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flows projections. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

It may sometimes be difficult to determine reliably the fair value of the investment property under construction. In order to evaluate whether the fair value of an investment property under construction can be determined reliably, management considers the following factors, among others:

- The provisions of the construction contract.
- The stage of completion.
- Whether the project/property is standard (typical for the market) or non-standard.
- The level of reliability of cash inflows after completion.
- The development risk specific to the property.
- Past experience with similar constructions.
- Status of construction permits.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land, if any, classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values of investment property are recognised as 'Other gains – net' in the consolidated statement of comprehensive income.

2 Summary of significant accounting policies (continued)

2.9 Investment properties (continued)

Completed properties held for sale are transferred to investment properties when it is evidenced by a change in use. Any difference between the fair value of the property at the date of transfer and its previous carrying amount shall be recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under HKAS 16. Any resulting increase in the carrying amount of the property is recognised in the profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase recognised in other comprehensive income and charged directly to revaluation reserves within equity. Any resulting decrease in the carrying amount of the property is charged to the profit or loss.

2.10 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

2.11 Inventories

Inventories mainly comprise of hotel goods, which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average costs method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.12 Properties under development and completed properties held for sale

2.12.1 Properties under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property mainly comprises cost of land use rights, construction costs, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period. On completion, the properties are transferred to completed properties held for sale.

If a property under development becomes owner-occupied, it is reclassified as property, plant and equipment. A property under development for future use as investment property is classified as investment property under construction when there is evidence of commencement of an operating lease to another party.

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

2.12.2 Completed properties held for sale

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

Cost comprises development costs attributable to the unsold properties.

Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets

2.13.1 Classification

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

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

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

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

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

2.13.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.13.3 Measurement

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.13 Investments and other financial assets (continued)

2.13.3 Measurement (continued)

Debt instruments

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

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

Equity instruments

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

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

2 Summary of significant accounting policies (continued)

2.14 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost.

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

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the contract assets and trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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

2.15 Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

2.16 Offsetting financial instruments

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

2.17 Land use rights under properties under development and completed properties held for sale

Land use rights acquired and held for development for sale are inventories and measured at lower of cost and net realisable value, of which those within normal operating cycle are included in properties under development or completed properties held for sale.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.18 Trade and other receivables

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

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 23 for further information about the Group's accounting for trade and other receivables and Note 3.1 for a description of the Group's impairment policies.

2.19 Contract assets and liabilities and costs for obtaining contracts

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

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

2.20 Cash and cash equivalents, restricted cash

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank deposits which are restricted to use are included in 'Restricted cash'. Restricted cash is excluded from cash and cash equivalents in the consolidated statement of cash flows.

2.21 Share capital

Ordinary shares are classified as equity.

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

2 Summary of significant accounting policies (continued)

2.22 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payable are presented as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.24 Borrowing costs (continued)

Other borrowing costs are expensed in the period in which they are incurred.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined on a cumulative basis based on the cumulative amounts of interest expenses that would have been incurred had the entity borrowed in its functional currency. The total amount of foreign exchange differences capitalised cannot exceed the amount of total net foreign exchange differences incurred on a cumulative basis at the end of the reporting period.

2.25 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 Summary of significant accounting policies (continued)

2.25 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred income tax liability in relation to taxable temporary differences arising from the joint venture's or associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Employee benefits

(a) Pension obligations

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

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

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.26 Employee benefits (continued)

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

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

(c) Employee leave entitlements

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

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

(d) Mandatory Provident Fund Scheme

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employee make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

2.27 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

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

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of properties in the PRC and services in the ordinary course of the Group's activities. Revenue is shown net of discounts and after eliminating sales with the Group companies. The Group recognises revenue when specific criteria have been met for each of the Group's activities, as described below.

(a) Sales of properties

Revenues are recognised 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 the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is 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 customer obtains control of the asset.

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

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

In determine the transaction price, the Group adjusts the promised amount of consideration for the effect of a financing component if it is significant. For property development and sales contracts for which the control of the property is transferred at a point in time, revenue is recognised when the customer obtains the physical possession or the legal title of the completed property and the Group has present right to payment and the collection of the consideration is probable.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and subsequently amortised when the related revenue is recognised.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.28 Revenue recognition (continued)

(b) Hotel operations

Revenue from hotel operations is recognised in the accounting period in which the services are rendered.

(c) Rental income

Rental income is recognised in the income statement on a straight-line basis over the term of the lease.

(d) Property management

Revenue from rendering of property management services are recognised in the accounting period in which the related services are rendered.

(e) Construction services

For construction services, the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(f) Financial components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

2.29 Dividend income

Dividends are recognised as other income when the right to receive payment is established.

2.30 Leases

The Group leases various lands, buildings and equipment. Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

2 Summary of significant accounting policies (continued)

2.30 Leases (continued)

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate;
- Amounts expected to be payable by the lessee under residual value guarantees; and
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

(All amounts in RMB Yuan thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.30 Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities,
- any lease payments made at or before the commencement date less any lease incentive received,
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis over the lease term as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

(a) Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable upon fulfilment of certain notice period. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise such options. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment.

2.31 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised by the Company's shareholders and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.32 Financial guarantee contracts

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

- the amount determined in accordance with the expected credit loss model under HKFRS 9, 'Financial Instruments; and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15 Revenue from Contracts with Customers.

2 Summary of significant accounting policies (continued)

2.32 Financial guarantee contracts (continued)

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

2.33 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.34 Government grants

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

2.35 Interest income

Interest income from financial assets at fair value through profit or loss is included in the net fair value gains/(losses) on these assets.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

3.1.1 Market risk

(a) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The monetary assets and liabilities of the Group's subsidiaries in the PRC are mainly denominated in RMB and the foreign exchange risk is immaterial. The non-PRC subsidiaries' functional currency is HK Dollar ("HK\$"). As at 31 December 2021 and 2020, major non-HK\$ assets and liabilities of the non-PRC subsidiaries are cash and cash equivalents, restricted cash and bank and other borrowings, which are denominated in RMB or US\$. Fluctuation of the exchange rate of HK\$ against RMB or US\$ could affect the Group's results of operations.

The Group has not entered into any forward exchange contracts to hedge its exposure to foreign exchange risk. However, management of the Group monitors foreign exchange risk exposure and will consider hedging significant foreign exchange risk exposure should the need arise.

The carrying amount of non-PRC subsidiaries' foreign currency denominated monetary assets and liabilities at the respective dates of consolidated statements of financial position are as follows:

Financial assets	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	260,645	182,836
US\$	12,693	471,834
	273,338	654,670

Financial liabilities	As at 31 December	
	2021 RMB'000	2020 RMB'000
US\$	1,012,507	974,143
	1,012,507	974,143

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(a) Foreign exchange risk (continued)

The following table shows the sensitivity analysis of a 5% change in HK\$ against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% strengthened/weakened in HK\$ against the relevant currencies, the effects of post tax profit for the year are as follows:

	Increase/(decrease) in post-tax profit for the year	
	2021 RMB'000	2020 RMB'000
HK\$ against RMB:		
Strengthened by 5%	(10,882)	(7,633)
Weakened by 5%	10,882	7,633

	Increase/(decrease) in post-tax profit for the year	
	2021 RMB'000	2020 RMB'000
HK\$ against US\$:		
Strengthened by 5%	41,742	20,971
Weakened by 5%	(41,742)	(20,971)

The aggregate net foreign exchange gains recognised in profit or loss were RMB57,000 (2020: RMB17,413,000).

(b) Cash flow and fair value interest rate risks

The Group's main interest rate risks arise from long-term borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. Borrowings obtained at floating rates expose the Group to cash flow interest rate risk which is partially offset by cash held at floating rates. During 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in RMB and HK\$.

The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arises.

As at 31 December 2021, bank and other borrowings of the Group bearing floating interest rates amounted to approximately RMB3,003,563,000 (2020: RMB1,631,401,000).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.1 Market risk (continued)

(b) Cash flow and fair value interest rate risks (continued)

The table below summarises the impact of changes in interest rate as at 31 December 2021 with all other variables held at constant on the Group's post-tax profit for the year.

	Increase/(Decrease) in post-tax profit for the year ended 31 December	
	2021 RMB'000	2020 RMB'000
Interest rate of bank and other borrowings at variable rates – increase 0.5% (2020: 0.5%)	(11,263)	(6,118)
Interest rate of bank and other borrowings at variable rates – decrease 0.5% (2020: 0.5%)	11,263	6,118

3.1.2 Credit risk

The Group has no concentrations on credit risk. The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents (excluding cash on hand), restricted cash, trade and other receivables and amounts due from related parties shown in the consolidated balance sheets.

Cash transactions are limited to high credit quality institutions. Deposits are only placed with reputable banks.

For the trade receivables arising from sales of properties, the Group closely monitors repayment progress of the customers in accordance with the terms as specified in the enforceable contracts. The Group has set up policies to ensure follow-up action is taken to recover overdue debts. The Group typically provides guarantees to banks in connection with the customers' borrowing of mortgage loans to finance their purchase of properties for an amount up to 50% to 70% of the total purchase price of the properties. If a purchaser defaults on the payment of its mortgage during the term of the guarantee, the bank holding the mortgage may demand the Group to repay the outstanding amount under the loan and any accrued interest thereon. Under such circumstances, the Group is able to retain the property sales proceeds received from the customers and sell the property to recover any amounts paid by the Group to the bank. In this regard, the directors of the Company consider that the Group's credit risk is minimal. Detailed disclosure of these guarantees is made in Note 32. The Group managed the credit risk by fully receiving cash or properly arranging the purchasers' mortgage loans financing procedures before delivery of properties unless strong credit records of the customers could be established. The Group closely monitors the collection of progress payments from customers in accordance with payment schedule agreed with customers. The Group has policies in place to ensure that sales are made to purchasers with an appropriate financial strength and appropriate percentage of down payments.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

For the trade receivables arising from customers for properties sold or services performed in the ordinary course of business, due to the aging of receivables is mainly within one year, the Group regularly reviews the recoverable amount of each individual trade receivable to ensure the adequate impairment losses are made for irrecoverable amounts.

For other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

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

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

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(a) Trade receivables

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

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the days of initial recognition.

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments. Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

The cost and loss allowance provision for trade receivables are categorised as follows for assessment purpose:

Individual: Trade receivables with known insolvencies

Collective: Other trade receivables

	2021		2020	
	Cost RMB'000	Loss allowance RMB'000	Cost RMB'000	Loss allowance RMB'000
Individual:				
– Trade receivables with known insolvencies	1,449	1,174	–	–
Collective:				
– Other trade receivables	71,116	550	11,985	–
	72,565	1,724	11,985	–

	Trade receivables	
	2021 RMB'000	2020 RMB'000
Opening loss allowance as at 1 January	–	–
Increase in loss allowance recognised in profit or loss during the year	1,724	–
Closing loss allowance as at 31 December	1,724	–

For the year ended 31 December 2021, the average expected loss rate on the gross carrying amount of trade receivables was 3% (2020: nil).

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Other receivables

Other financial assets at amortised cost include other receivables from third parties and related parties.

For other receivables, the Group assessed the credit quality of the counter parties by taking into account their financial position, credit history and other factors. The other receivables are mainly due from minority interests, deposits for acquisition of the land use rights and property development projects and others. Management considered these receivables to be low credit risk as they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. Besides, management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

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

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

Category	Group definition of category	Basis for recognition of expected credit loss provision	Expected credit loss rate
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected credit losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime	0.1%-5%
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses	5%-23%
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses	N/A

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Other receivables (continued)

As at 31 December 2021 and 2020, the loss allowance was determined as follows for other receivables:

	Other receivables from non- controlling interests RMB'000	Other receivables from related parties RMB'000	Other receivables from third parties RMB'000	Total RMB'000
As at 31 December 2021				
Carry amount of other receivables	450,247	68,207	166,407	684,861
Expected credit loss rate	0.78%	1.65%	0.73%	0.86%
Loss allowance	(3,520)	(1,128)	(1,221)	(5,869)
Other receivables – net	446,727	67,079	165,186	678,992
		Other receivables from related parties RMB'000	Other receivables from third parties RMB'000	Total RMB'000
As at 31 December 2020				
Carry amount of other receivables		117,362	165,728	283,090
Expected credit loss rate		–	1.06%	0.62%
Loss allowance		–	(1,756)	(1,756)
Other receivables – net		117,362	163,972	281,334

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.2 Credit risk (continued)

(b) Other receivables (continued)

The loss allowance provision for other receivables as at 31 December 2021 reconcile to the opening loss allowance for that provision as follows:

	Other receivables	
	2021 RMB'000	2020 RMB'000
Opening loss allowance as at 1 January	1,756	883
Increase in loss allowance recognised in profit or loss during the year	4,113	873
Closing loss allowance as at 31 December	5,869	1,756

For the year ended 31 December 2021, the average expected loss rate on the gross carrying amount of other receivables was 0.86% (2020: 0.62%).

As at 31 December 2021 and 2020, the maximum exposure to loss of trade and other receivables were the carrying amounts.

3.1.3 Liquidity risk

Management of the Group aims to maintain sufficient cash and cash equivalents or have available funding through contract liabilities and an adequate amount of available financing including short-term and long-term borrowings and obtaining additional funding from shareholders and related parties. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and through having available sources of financing.

The Group has a number of alternative plans to mitigate the potential impacts on anticipated cash flows should there be significant adverse changes in economic environment. These include reducing land acquisition, adjusting project development timetable to adapt the changing local real estate market environment, implementing cost control measures, promotion of sales of completed properties, accelerating sales with more flexible pricing and seeking joint venture partners to develop projects. The Group will pursue such options basing on its assessment of relevant future costs and benefits. The directors consider that the Group will be able to maintain sufficient financial resources to meet its operation needs.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

3.1.3 Liquidity risk (continued)

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

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Bank and other borrowings	2,488,728	880,119	1,184,551	505,448	5,058,846
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	2,242,677	-	-	-	2,242,677
Lease liabilities	8,589	5,020	12,141	130,755	156,505
Guarantee in respect of mortgage facilities for certain purchasers	1,636,560	-	-	-	1,636,560
	6,376,554	885,139	1,196,692	636,203	9,094,588

	Within 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Bank and other borrowings	1,681,808	703,556	720,651	423,203	3,529,218
Trade and other payables, excluding salaries payable, other taxes payable and contract liabilities	1,570,701	-	-	-	1,570,701
Lease liabilities	8,315	6,520	13,240	134,586	162,661
Guarantee in respect of mortgage facilities for certain purchasers	1,341,643	-	-	-	1,341,643
	4,602,467	710,076	733,891	557,789	6,604,223

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.2 Capital management

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

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

The Group monitors capital on the basis of the net gearing ratio. Net gearing ratio represents the ratio of net debts (total borrowings net of cash and cash equivalents and restricted cash) divided by total equity as of the end of the respective year.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Total borrowings	4,495,697	3,111,805
Less: Cash and cash equivalents	(1,030,394)	(2,037,665)
Restricted cash	(1,269,375)	(323,779)
Net debts	2,195,928	750,361
Total equity	4,778,839	4,453,051
Net gearing ratio	46.0%	16.9%

3.3 Financial instruments by category

	At 31 December 2021 Assets at amortised cost RMB'000
Assets as per consolidated statement of financial position	
Trade and other receivables (excluding prepayments)	679,307
Amounts due from related parties	70,527
Restricted cash	1,269,375
Cash and cash equivalents	1,030,394
Total	3,049,603

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

3 Financial risk management (continued)

3.3 Financial instruments by category (continued)

	At 31 December 2020
	Assets at amortised cost RMB'000
Assets as per consolidated statement of financial position	
Trade and other receivables (excluding prepayments)	170,196
Amounts due from related parties	123,123
Restricted cash	323,779
Cash and cash equivalents	2,037,665
Total	2,654,763

	At 31 December 2021
	Liabilities at amortised cost RMB'000
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	4,495,697
Lease liabilities	65,754
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	2,242,677
Total	6,804,128

	At 31 December 2020
	Liabilities at amortised cost RMB'000
Liabilities as per consolidated statement of financial position	
Bank and other borrowings	3,111,805
Lease liabilities	68,730
Trade and other payables (excluding salaries payable, other taxes payable and contract liabilities)	1,570,701
Total	4,751,236

4 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

The Group assesses the carrying amounts of properties under development and completed properties held for sale according to their net realisable value based on the realisability of these properties. Net realisable value for properties under development is determined by reference to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses and the anticipated costs to completion (including land costs). Net realisable value for completed properties held for sale is determined by reference, to management's estimates of the selling price based on prevailing market conditions, less applicable variable selling expenses. Based on management's best estimates, there was no material impairment for properties under development and completed properties held for sale as at 31 December 2021 and 2020.

(b) **Fair value of investment properties**

The Group assesses the fair value of its investment properties based on assessments determined by an independent and professional qualified valuer.

The best evidence of fair value of investment properties is current prices in an active market for the properties with similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) discounted cash flows projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from 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 fair value gains from investment properties are disclosed in Note 19.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

4 Critical accounting estimates and judgements (continued)

(c) Income taxes and deferred taxation

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

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expenses or other comprehensive income in the periods in which such estimate is changed.

(d) PRC land appreciation tax (“LAT”)

PRC land appreciation tax is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sale of properties less deductible expenditures including sales charges, borrowing costs and all property development expenditures.

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

(e) Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 3.

5 Revenue and segment information

(a) Description of segments and principal activities

The executive directors, as the CODM of the Group, review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group is organised into four business segments: property development and sales, commercial property investment, hotel operations and property management.

As the CODM considers most of the Group’s consolidated revenue and results are attributable to the market in the PRC, and the Group’s consolidated non-current assets are substantially located in the PRC, no geographical information is presented.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)**(b) Segment performance**

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021 is as follows:

	Property development and sales	Commercial property investment	Hotel operations	Property management	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,932,452	–	79,156	36,300	2,047,908
Recognised at a point in time	1,932,452	–	–	–	1,932,452
Recognised over time	–	–	79,156	36,300	115,456
Revenue from other sources: rental income	–	29,959	–	–	29,959
Inter-segment revenue	–	(20,212)	(385)	(14,144)	(34,741)
Revenue from external customers	1,932,452	9,747	78,771	22,156	2,043,126
Gross profit	579,355	9,285	7,208	(12,623)	583,225
Selling and marketing expenses					(153,328)
Administrative expenses					(138,088)
Net impairment losses on financial assets					(5,837)
Other income					21,567
Other expenses					(1,223)
Other gains – net					33,430
Finance income – net					359
Share of profit of investments accounted for using the equity method (Note 16)	23,634	–	–	–	23,634
Profit before income tax					363,739
Income tax expense					(164,916)
Profit for the year					198,823
Depreciation and amortisation	14,818	–	14,065	193	29,076
Fair value losses on investment properties – net (Note 19)	–	(9,208)	–	–	(9,208)
Segment assets	13,180,743	280,044	279,917	9,637	13,750,341
Segment assets include:					
Investments accounted for using the equity method (Note 16)	140,394	–	–	–	140,394
Addition to non-current assets (other than financial instruments and deferred income tax assets)	5,459	–	1,745	741	7,945
Segment liabilities	3,967,252	7,142	22,615	26,197	4,023,206

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(b) Segment performance (continued)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2020 is as follows:

	Property development and sales RMB'000	Commercial property investment RMB'000	Hotel operations RMB'000	Property management RMB'000	Total RMB'000
Segment revenue	2,248,822	–	61,929	32,856	2,343,607
Recognised at a point in time	2,248,822	–	–	–	2,248,822
Recognised over time	–	–	61,929	32,856	94,785
Revenue from other sources: rental income	–	30,126	–	–	30,126
Inter-segment revenue	–	(11,565)	(539)	(14,565)	(26,669)
Revenue from external customers	2,248,822	18,561	61,390	18,291	2,347,064
Gross profit	899,085	16,339	(802)	(1,886)	912,736
Selling and marketing expenses					(124,629)
Administrative expenses					(140,958)
Net impairment losses on financial assets					(873)
Other income					15,826
Other expenses					(4,105)
Other gains – net					86,721
Finance costs – net					(13,279)
Share of profit of investments accounted for using the equity method (<i>Note 16</i>)	53,071	–	–	–	53,071
Profit before income tax					784,510
Income tax expense					(306,113)
Profit for the year					478,397
Depreciation and amortisation	12,825	–	14,808	133	27,766
Fair value gains on investment properties – net (<i>Note 19</i>)	–	68,042	–	–	68,042
Segment assets	10,126,260	289,252	363,964	6,727	10,786,203
Segment assets include:					
Investments accounted for using the equity method (<i>Note 16</i>)	108,743	–	–	–	108,743
Addition to non-current assets (other than financial instruments and deferred income tax assets)	14,560	–	2,799	246	17,605
Segment liabilities	2,811,114	6,912	20,124	9,840	2,847,990

Sales between segments are carried out at arm's length. The revenue from external parties reported to the CODM is measured in a manner consistent with that in the consolidated statement of comprehensive income.

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)**(b) Segment performance (continued)****(i) Segment assets**

The amounts provided to the executive directors with respect to segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment.

The Group's deferred income tax assets are not considered to be segment assets but rather are managed on a central basis.

Segment assets are reconciled to total assets as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Segment assets	13,750,341	10,786,203
Unallocated:		
– Deferred income tax assets	176,033	100,234
Total assets	13,926,374	10,886,437

(ii) Segment liabilities

The amounts provided to the executive directors with respect to segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's current and deferred income tax liabilities and borrowings are not considered to be segment liabilities but rather are managed on a central basis.

Segment liabilities are reconciled to total liabilities as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Segment liabilities	4,023,206	2,847,990
Unallocated:		
– Current income tax liabilities	430,363	348,822
– Deferred income tax liabilities	198,269	124,769
– Short-term borrowings and current portion of long-term borrowings	2,238,921	1,542,827
– Long-term borrowings	2,256,776	1,568,978
Total liabilities	9,147,535	6,433,386

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

5 Revenue and segment information (continued)

(c) Assets and liabilities related to contracts with customers

(i) The Group has recognised the following assets related to contracts with customers:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Sale commissions	39,885	18,746

Management expects the incremental costs, only including sale commissions, as a result of obtaining the property sale contracts are recoverable. The Group has capitalised the amounts and amortised when the related revenue are recognised. For the year ended 31 December 2021, the amount of amortisation was RMB79,198,000 (2020: RMB64,155,000). There was no impairment loss in relation to the costs capitalised.

(ii) The Group has recognised the following liabilities related to contracts with customers:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contract liabilities related to sales of properties	1,557,643	1,029,559
Contract liabilities related to others	7,560	6,442
	1,565,203	1,036,001

The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from sales of properties.

The following table shows how much of the revenue recognised for the year ended 31 December 2021 related to carried-forward contract liabilities:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
Sales of properties	926,687	926,909
Others	6,442	6,080
	933,129	932,989

(iii) The amount of unsatisfied performance obligation is approximately the same as the balance of contract liabilities, which are expected to be recognised in 1 to 3 years as at 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

6 Expenses by nature

Expenses by nature included in cost of sales, selling and marketing expenses and administrative expenses are analysed as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of properties sold – including construction cost, land cost and interest cost	1,317,929	1,318,390
Employee benefit expenses (including directors' emoluments) (Note 10)	148,822	140,251
Employee benefit expenditure – including directors' emoluments	166,028	158,331
Less: capitalised in properties under development	(17,206)	(18,080)
Commission fees	79,198	64,155
Hotel operations expenses	36,276	33,088
Business taxes and other levies	17,803	20,157
Advertising costs	51,069	40,447
Entertainment expenses	17,443	17,746
Depreciation and amortisation of intangible assets and right-of-use assets	29,076	27,766
Office and travelling expenses	10,420	10,938
Auditor's remuneration	4,450	4,500
– Audit services	3,700	3,700
– Non-audit services	750	800
Property management fees	7,580	5,509
Others	31,251	16,968
Total	1,751,317	1,699,915

7 Other income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Government grants	17,541	8,425
Forfeited customer deposits	1,105	1,127
Others	2,921	6,274
Total	21,567	15,826

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

8 Other expenses

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Donations	492	3,784
Others	731	321
	1,223	4,105

9 Other gains – net

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Interest on financial assets at fair value through profit or loss	2,531	3,844
(Losses)/gains on disposals of property, plant and equipment	(78)	157
Fair value (losses)/gains on investment properties (Note 19)	(9,208)	68,042
Fair value gain on the remeasurement of investment in a joint venture (Note 37)	34,121	–
Gains on disposal of subsidiaries	–	151
Net foreign exchange gains	6,064	14,527
	33,430	86,721

10 Employee benefit expenses

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses and other benefits	157,288	154,958
Pension costs – statutory pension	8,740	3,373
	166,028	158,331
Less: capitalised in properties under development	(17,206)	(18,080)
	148,822	140,251

(All amounts in RMB Yuan thousands unless otherwise stated)

10 Employee benefit expenses (continued)**(a) Pensions scheme – defined contribution plans**

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

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by independent trustee. Under the MPF Scheme, the group companies in Hong Kong (the employer) and its employees make monthly contributions to the scheme at certain percentage of the employee's earnings as defined under the Mandatory Provident Fund Legislation.

(b) Five highest paid individuals

Four individuals whose emoluments were the highest in the Group were directors (2020: five), whose emoluments are reflected in the analysis in Note 39. The emoluments payable to the remaining individuals during the years 2021 and 2020 are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses and other benefits	1,617	–
Pension costs – statutory pension	15	–
	1,632	–

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2021	2020
Nil – HK\$1,000,000	–	–
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$2,500,000	–	–
	1	–

During the years ended 31 December 2021 and 2020, no emolument was paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

11 Finance (income)/costs – net

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Finance costs		
– Interest expense on bank and other borrowings	242,526	269,124
– Interest expense on leases	3,208	3,261
– Net exchange losses/(gains) on foreign currency borrowings	6,007	(2,886)
Less:		
– Interest capitalised	(233,670)	(235,007)
	18,071	34,492
Finance income		
– Interest income from bank deposits	(18,430)	(21,213)
Finance (income)/costs – net	(359)	13,279

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

12 Income tax expense

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current income tax:		
– Corporate income tax	95,274	103,269
– Land appreciation tax	58,667	129,032
	153,941	232,301
Deferred income tax		
– Corporate income tax	10,975	75,701
– Land appreciation tax	–	(1,889)
	10,975	73,812
	164,916	306,113

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax	363,739	784,510
Calculated at tax rate of 25%	90,935	196,128
Effects of:		
– Different tax rates available to different subsidiaries of the Group	12,676	8,176
– Land appreciation tax deductible for PRC corporate income tax purposes	(14,667)	(31,786)
– Expenses and development costs not deductible for tax purposes	31,744	19,716
– Income not subject to tax	(14,439)	(13,264)
– Land appreciation tax	58,667	127,143
Income tax expense	164,916	306,113

(a) PRC corporate income tax

The income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in Mainland China is 25%.

Pursuant to the Detailed Implementation Regulations for implementation of the Corporate Income Tax Law issued on 6 December 2007, dividends distributed from the profits generated by the PRC companies after 1 January 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding tax rate can be applied when the immediate holding companies of the PRC subsidiaries are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between the PRC and Hong Kong. The Group has not accrued any withholding income tax for the undistributed earnings of its PRC subsidiaries as the Group does not have a plan to distribute these earnings out of the Mainland China in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

12 Income tax expense (continued)

(b) PRC land appreciation tax

Pursuant to the requirements of the Provisional Regulations of the PRC on LAT effective 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective on 27 January 1995, 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 appreciation value, with an exemption provided for sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has made provision of LAT for sales of properties according to the aforementioned progressive rate, except for certain group companies which calculate the LAT based on deemed tax rates in accordance with the approved taxation method obtained from tax authorities.

(c) Overseas income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Islands were incorporated under the BVI Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income tax.

(d) Hong Kong profits tax

No provision for Hong Kong profits tax has been made in these consolidated financial statements as the group companies did not have assessable profit in Hong Kong for the year ended 31 December 2021 (2020: nil).

13 Earnings per share

In determining the weighted average number of ordinary shares in issue during the years ended 31 December 2021 and 2020, the ordinary shares issued upon the incorporation of the Company, the ordinary shares issued to capitalisation of loan due to ultimate controlling shareholder on 12 November 2019 and the capitalisation issue on 13 November 2019, were deemed to be issued on 1 January 2018 as if the Company has been incorporated by then.

	Year ended 31 December	
	2021	2020
Profit attribute to owners of the Company (RMB'000)	216,446	485,203
Weighted average number of ordinary shares in issue (in thousand)	1,646,173	1,646,173
Earnings per share – basic (RMB per share)	0.13	0.29
Earnings per share – diluted (RMB per share)	0.13	0.29

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

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

14 Dividend

Dividends paid in 2021 consist of (i) the payment of the 2020 final cash dividend of RMB6.73 cents per ordinary share totalling RMB110,787,000 (equivalent to HK\$134,328,000), and (ii) 2021 interim cash dividend of RMB3.63 cents per ordinary share totalling RMB59,756,000 (equivalent to HK\$71,773,000).

A final dividend in respect of the year ended 31 December 2021 of RMB0.97 cent per ordinary share, amounting to a total dividend of RMB15,968,000, is to be proposed at the annual general meeting on 23 June 2022. These financial statements do not reflect this dividend payable.

15 Deferred income tax

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Deferred income tax assets		
– to be realised within 12 months	147,103	81,137
– to be realised after more than 12 months	28,930	19,097
	176,033	100,234
Deferred income tax liabilities		
– to be realised within 12 months	–	–
– to be realised after more than 12 months	198,269	124,769
	(22,236)	(24,535)

(a) Deferred income tax assets

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Beginning of the year	104,026	130,187
Recognised in profit or loss	31,736	(6,462)
Change from a joint venture to a subsidiary	22,518	–
Others	18,713	–
Disposal of subsidiaries	–	(19,699)
End of year	176,993	104,026
Offsetting with deferred income tax liabilities	(960)	(3,792)
Net deferred income tax assets	176,033	100,234

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Deferred income tax (continued)

(a) Deferred income tax assets (continued)

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

	Tax losses	Deductible temporary differences of expenses and cost of sales	Temporary difference in sales recognition and related cost of sales	Elimination of unrealised profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	59,122	13,693	32,812	24,560	130,187
Recognised in profit or loss	(14,113)	8,296	(18,793)	18,148	(6,462)
Disposal of a subsidiary	(19,699)	–	–	–	(19,699)
At 31 December 2020	25,310	21,989	14,019	42,708	104,026
Recognised in profit or loss	11,317	10,148	21,985	(11,714)	31,736
Change from a joint venture to a subsidiary	14	–	22,504	–	22,518
Others	–	18,713	–	–	18,713
At 31 December 2021	36,641	50,850	58,508	30,994	176,993

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable.

(b) Deferred income tax liabilities

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Beginning of the year	128,561	190,198
Change from a joint venture to a subsidiary	27,957	–
Disposal of subsidiaries	–	(128,987)
Recognised in profit or loss	42,711	67,350
End of the the year	199,229	128,561
Offsetting with deferred income tax assets	(960)	(3,792)
Net deferred income tax liabilities	198,269	124,769

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

15 Deferred income tax (continued)

(b) Deferred income tax liabilities (continued)

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

	Fair value gains on investment properties	Excess of carrying amounts of completed properties held for sale over the tax bases	Interest capitalisation	Revaluation surplus arising from property development	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	26,658	8,714	35,612	119,214	190,198
Disposal of a subsidiary	–	(11,661)	–	(117,326)	(128,987)
Recognised in profit or loss	17,009	2,947	49,282	(1,888)	67,350
At 31 December 2020	43,667	–	84,894	–	128,561
Change from a joint venture to a subsidiary	–	–	5,656	22,301	27,957
Recognised in profit or loss	(2,302)	–	45,013	–	42,711
At 31 December 2021	41,365	–	135,563	22,301	199,229

As at 31 December 2021, deferred income tax liabilities of RMB168,738,000 (2020: RMB143,507,000) have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries incorporated in the PRC. Unremitted earnings totalled RMB1,687,380,000 as at 31 December 2021 (2020: RMB1,435,074,000), as the Group does not have a plan to distribute these earnings out of the PRC in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method

The amounts recognised in the balance sheet are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Investments in a joint venture	–	24,543
Investments in associates	140,394	84,200
	140,394	108,743

The amounts recognised in the statement of comprehensive income are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
A joint venture (<i>Note (a)</i>)	(5,404)	(2,457)
Associates (<i>Note (b)</i>)	29,038	55,528
	23,634	53,071

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)**(a) A joint venture**

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Opening balances	24,543	–
Additions	196,348	27,000
Share of results	(5,404)	(2,457)
Transfer to a subsidiary (Note 37)	(215,487)	–
Ending balances	–	24,543

(i) The Group's interest in a joint venture is accounted using equity method. The aggregate amount of the Group's share of loss from the joint venture for the year ended 31 December 2021 was RMB5,404,000 (2020: RMB2,457,000). As at 31 December 2021, the Group's share of loss of a joint venture exceeds its interest in the underlying entity, and the unrecognised share of loss of the joint venture amounted to RMB18,909,000 (31 December 2020: RMB1,715,000).

(ii) Nature of investment in a joint venture as at 31 December 2021:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 31 December		
			2021	2020	
Zhongshan Jingyue Investment Co., Ltd. ("Zhongshan Jingyue") 中山市景悅投資有限公司	PRC	Property development	50%	50%	Equity
Guangzhou Xinze Jiyong Real Estate Development Co., Ltd ("Guangzhou Xinze") 廣州鑫澤集永房地產開發有限公司	PRC	Property development	N/A	51%	Equity

(iii) As at 31 December 2021 and 2020, there were no significant contingencies relating to the Group's interest in the joint venture.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)

(a) A joint venture (continued)

(iv) Summarised financial information for a joint venture

Set out below is the summarised financial information for Zhongshan Jingyue:

Summarised balance sheets

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Non-current assets	20,048	20,131
Current assets		
Cash and cash equivalents	3,125	27,234
Trade and other receivables	127,815	76,570
Completed properties held for sale	776,784	803,970
Total assets	927,772	927,905
Non-current liabilities (<i>Note (v)</i>)	738,757	875,154
Current liabilities (<i>Note (v)</i>)	226,833	56,181
Total liabilities	965,590	931,335
Net assets	(37,818)	(3,430)
The Group's share in %	50%	50%
Carrying amount	(18,909)	(1,715)

(v) Current and non-current secured bank borrowings included in current and non-current liabilities totalling amounted to RMB751,850,000 (2020: RMB815,776,000).

Summarised statements of comprehensive income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	49,107	9,878
Cost of sales	(32,948)	(5,182)
Administrative expenses	(1,281)	(319)
Interest expense	(50,074)	(10,810)
Other income	808	4
Loss for the year	(34,388)	(6,429)
Total comprehensive loss for the year	(34,388)	(6,429)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)

(b) Associates

The movement of investment in associates is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Opening balances	84,200	29,653
Additions	55,346	–
Dividends received	(30,000)	–
Share of results	29,038	55,528
Realisation/(elimination) of unrealised profits	1,810	(981)
Ending balances	140,394	84,200

(i) Nature of investment in associates as at 31 December 2021:

Name of entity	Place of business/ country of incorporation	Principal activities	% of ownership interest		Measurement method
			As at 31 December		
			2021	2020	
Guangzhou Nansha Donghuzhou Real Estate Development Co., Ltd. ("Donghuzhou") 廣州市南沙東洲房地產有限公司	PRC	Property development	30%	30%	Equity
Guangzhou Jingke Property Service Co., Ltd. 廣州景科物業服務有限公司	PRC	Property management	49%	N/A	Equity
Nanjing Longguang Jingye Property Service Co., Ltd. 南京龍光景業物業服務有限公司	PRC	Property management	49%	N/A	Equity
Guangzhou Zhujing Real Estate Development Co., Ltd. ("Guangzhou Zhujing") 廣州珠景房地產開發有限公司	PRC	Property development	55%	N/A	Equity

(ii) As at 31 December 2021 and 2020, there were no significant contingencies relating to the Group's interests in the associates.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)

(b) Associates (continued)

(iii) Summarised financial information for associates

Set out below is the summarised financial information for Donghuzhou:

Summarised balance sheets

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Non-current assets	–	–
Completed properties held for sale	310,563	363,487
Cash and cash equivalents	111,522	180,418
Trade and other receivables and prepayments	117,206	30,101
Current assets	539,291	574,006
Total assets	539,291	574,006
Current liabilities	245,482	293,341
Total liabilities	245,482	293,341
Net assets	293,809	280,665
The Group's share in %	30%	30%
Carrying amount	88,143	84,200

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

16 Investments accounted for using the equity method (continued)

(b) Associates (continued)

(iii) Summarised financial information for associates (continued)

Summarised statement of comprehensive income

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue	373,698	713,672
Cost of sales	(148,592)	(304,951)
Gross profit	225,106	408,721
Administrative expenses	(488)	(304)
Selling expenses	(19,593)	(16,126)
Finance income/(costs)	1,022	(4,723)
Other income	495	107
Other expenses	(129)	(565)
Profit before income tax	206,413	387,110
Income tax expense	(99,301)	(202,017)
Total comprehensive income for the year	107,112	185,093
Dividends received from an associate	30,000	–

In addition to the interests in associates disclosed above, the Group also has interests in a number of individuals immaterial associates that are accounted for using the equity method.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Aggregate carrying amount of individually immaterial associates	52,251	–
Aggregate amounts of the Group's share of:		
Loss from continuing operations	(3,096)	–
Post-tax profit or loss from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive loss	(3,096)	–

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

17 Property, plant and equipment

	Buildings	Vehicles and machinery	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At January 2020				
Cost	347,662	16,419	12,036	376,117
Accumulated depreciation	(42,091)	(5,545)	(8,217)	(55,853)
Net book amount	305,571	10,874	3,819	320,264
Year ended 31 December 2020				
Opening net book amount	305,571	10,874	3,819	320,264
Additions	492	4,389	4,395	9,276
Disposals	–	(117)	(30)	(147)
Transfer to investment properties	(10,077)	–	–	(10,077)
Depreciation	(13,197)	(2,723)	(1,304)	(17,224)
Exchange difference	–	(274)	(11)	(285)
Closing net book amount	282,789	12,149	6,869	301,807
At 31 December 2020				
Cost	330,863	19,867	16,145	366,875
Accumulated depreciation	(48,074)	(7,718)	(9,276)	(65,068)
Net book amount	282,789	12,149	6,869	301,807
Year ended 31 December 2021				
Opening net book amount	282,789	12,149	6,869	301,807
Additions	–	2,013	3,610	5,623
Disposals	–	(89)	(58)	(147)
Depreciation	(12,497)	(4,031)	(2,065)	(18,593)
Exchange difference	–	(26)	–	(26)
Closing net book amount	270,292	10,016	8,356	288,664
At 31 December 2021				
Cost	330,863	21,242	18,699	370,804
Accumulated depreciation	(60,571)	(11,226)	(10,343)	(82,140)
Net book amount	270,292	10,016	8,356	288,664

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

17 Property, plant and equipment (continued)

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Selling and marketing expenses	343	309
Administrative expenses	4,828	3,339
Cost of sales	13,219	13,417
Properties under development	203	159
	18,593	17,224

As at 31 December 2021, the following net book amount of buildings were pledged as collateral for the Group's bank and other borrowings:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Buildings	248,843	260,917

As at 31 December 2021, buildings mainly comprised of hotels of RMB248,843,000 (2020: RMB260,917,000) which are located in the PRC.

18 Right-of-use assets

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Lands (Note (a))	240,102	245,876
Buildings	8,851	12,320
	248,953	258,196

(a) The amounts mainly comprise the prepaid leases of land contracting fee on agricultural land and forest land, which are amortised under the contracting terms.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

18 Right-of-use assets (continued)

- (b) The movement of right-of-use assets is shown in the table below for the years ended 31 December 2021 and 2020:

	Lands RMB'000	Buildings RMB'000	Total RMB'000
At 1 January 2020			
Cost	265,532	25,060	290,592
Accumulated amortisation	(16,264)	(13,951)	(30,215)
Net book amount	249,268	11,109	260,377
Year ended 31 December 2020			
Opening net book amount	249,268	11,109	260,377
Additions	2,640	5,007	7,647
Amortisation	(6,032)	(3,848)	(9,880)
Exchange difference	–	52	52
Closing net book amount	245,876	12,320	258,196
At 31 December 2020			
Cost	268,172	30,119	298,291
Accumulated amortisation	(22,296)	(17,799)	(40,095)
Net book amount	245,876	12,320	258,196
Year ended 31 December 2021			
Opening net book amount	245,876	12,320	258,196
Additions	–	497	497
Amortisation	(5,774)	(3,876)	(9,650)
Exchange difference	–	(90)	(90)
Closing net book amount	240,102	8,851	248,953
At 31 December 2021			
Cost	268,172	30,526	298,698
Accumulated amortisation	(28,070)	(21,675)	(49,745)
Net book amount	240,102	8,851	248,953

- (c) As at 31 December 2021, lands with net book value of RMB12,720,000 (2020: RMB13,263,000), were pledged as collateral for the Group's bank and other borrowings (Note 29).
- (d) Amortisation of the right-of-use assets has been charged to profit or loss or capitalised in assets under construction as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Administrative expenses	8,800	9,030
Cost of sales	850	850
	9,650	9,880

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Investment properties

	As at 31 December 2021		
	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Opening net book value	235,062	54,190	289,252
Fair value losses – net	(9,078)	(130)	(9,208)
Closing net book value	225,984	54,060	280,044

	As at 31 December 2020		
	Completed investment properties RMB'000	Investment properties under construction RMB'000	Total RMB'000
Opening net book value	187,703	–	187,703
Transfer from properties under development	–	15,489	15,489
Transfer from properties held for sale	7,941	–	7,941
Transfer from property, plant and equipment	–	10,077	10,077
Fair value gains – net	39,418	28,624	68,042
Closing net book value	235,062	54,190	289,252

As at 31 December 2021, investment properties of RMB179,484,000 (2020: RMB197,902,000) were pledged as collateral for the Group's bank and other borrowings (Note 29).

Amounts recognised in profit or loss for investment properties

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Rental income	8,533	7,432
Direct operating expenses from investment properties that generate rental income	(1,034)	(1,078)
Fair value (losses)/gains	(9,208)	68,042
	(1,709)	74,396

The investment properties are located in the PRC and are held on leases of between 40 to 50 years.

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Investment properties (continued)

(a) Fair value hierarchy

An independent valuation of the Group's completed investment properties and investment properties under construction were performed by the independent and professionally qualified valuer to determine the fair value of the investment properties as at 31 December 2021 and 2020. The revaluation gains or losses are included in 'Other gains – net' in the consolidated statements of comprehensive income.

As at 31 December 2021 and 2020, as certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of all investment properties of the Group are included in level 3 of the fair value measurement hierarchy (Note 2.9). The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. No transfers in or out of fair value hierarchy levels for the year ended 31 December 2021 and 2020.

(b) Valuation processes of the Group

The Group's investment properties were valued at 31 December 2021 and 2020 by independent and professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department includes a team that review the valuations performed by the independent valuer for financial reporting purposes. This team reports to the senior management of the Group. Discussions of valuation processes and results are held between the management and valuer at least once every six months for the years ended 31 December 2021 and 2020.

At each financial year end, the financial department:

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

(c) Valuation techniques

Fair value of completed investment properties of retail properties and investment properties under construction of buildings are generally derived using the term and reversionary method. This method is based on the tenancy agreements as at the respective valuation dates. The rental income derived within the tenancy agreements are discounted by adopting term yields and the potential reversionary income are discounted by adopting appropriate reversionary yields for the period beyond the rental period in the tenancy agreements. Potential reversionary income and the reversionary yields are derived from analysis of prevailing market rents and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings, within the subject properties and other comparable properties.

Fair values of lands are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Investment properties (continued)

(c) Valuation techniques (continued)

The Group has also used the sale comparison approach by making reference to the sales transactions or asking price evidences of comparable properties as available in the market to cross check the valuation result.

There were no changes to the valuation techniques for the year ended 31 December 2021.

	Property category	Fair value at 31 December 2020	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	176,712,000	Term and reversionary method	Market rents (RMB/square metre)	115-229	The higher the market price, the higher the fair value
				Term and reversionary yields	4.00%-4.50%	The higher the term yields, the lower the fair value
	Retail properties	58,350,000	Term and reversionary method	Market rents (RMB/square metre)	117-124	The higher the market price, the higher the fair value
				Term and reversionary yields	3.50%-4.00%	The higher the term yields, the lower the fair value
Investment properties under construction	Land	33,000,000	Direct comparison	Market price (RMB/square metre)	1,960	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Land	6,000,000	Direct comparison	Market price (RMB/square metre)	2,593	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Buildings	15,190,000	Term and reversionary method	Market rents (RMB/square metre)	27	The higher the market price, the higher the fair value
				Term and reversionary yields	5.00%	The higher the term yields, the lower the fair value

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

19 Investment properties (continued)

(c) Valuation techniques (continued)

	Property category	Fair value at 31 December 2021	Valuation techniques	Unobservable inputs	Range of unobservable inputs (probability)	Relationship of unobservable inputs to fair value
Completed investment properties	Retail properties	179,484,000	Term and reversionary method	Market rents (RMB/square metre)	104-232	The higher the market price, the higher the fair value
				Term and reversionary yields	4.00%-4.50%	The higher the term yields, the lower the fair value
	Retail properties	46,500,000	Term and reversionary method	Market rents (RMB/square metre)	116-122	The higher the market price, the higher the fair value
				Term and reversionary yields	3.50%-4.25%	The higher the term yields, the lower the fair value
Investment properties under construction	Land	33,000,000	Direct comparison	Market price (RMB/square metre)	1,971	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
	Land	6,000,000	Direct comparison	Market price (RMB/square metre)	2,596	The higher the market price, the higher the fair value
				Term and reversionary yields	5.13%	The higher the term yields, the lower the fair value
Buildings	15,060,000	Term and reversionary method	Market rents (RMB/square metre)	27	The higher the market price, the higher the fair value	
			Term and reversionary yields	5.00%	The higher the term yields, the lower the fair value	

As at 31 December 2021 and 2020, the period of leases whereby the Group leases out its investment properties held in the PRC were between 1 to 8 years.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

20 Intangible assets

	Computer software RMB'000
Year ended 31 December 2020	
Opening net book amount	2,582
Additions	682
Disposal	–
Amortisation	(821)
Closing net book amount	2,443
At 31 December 2020	
Cost	5,370
Accumulated amortisation	(2,927)
Net book amount	2,443
Year ended 31 December 2021	
Opening net book amount	2,443
Additions	1,825
Disposal	–
Amortisation	(1,036)
Closing net book amount	3,232
At 31 December 2021	
Cost	7,195
Accumulated amortisation	(3,963)
Net book amount	3,232

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

21 Properties under development

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Properties under development expected to be completed:		
– Land use rights	5,295,245	2,494,833
– Contractual rights of land (Note (a))	417,941	345,086
– Construction costs	1,301,660	656,496
– Interests capitalised	479,614	218,123
	7,494,460	3,714,538

- (a) Contractual rights of land mainly represents the construction land acquired from the collective economic organisations in 2017, which will be transferred to land use rights in near future.
- (b) Properties under development are located in the PRC and expected to be completed, and available for sale within normal operating cycle.
- (c) The capitalisation rates of borrowings is 6.41% (2020: 5.95%) for the year ended 31 December 2021.
- (d) As at 31 December 2021, properties under development with net book value of RMB2,328,613,000 (2020: RMB965,675,000), were pledged as collateral for the Group's bank and other borrowings (Note 29).

22 Completed properties held for sale

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Completed properties held for sale developed by the Group:		
Land use rights	367,688	342,825
Construction costs	1,060,120	1,273,617
Interest capitalised	77,804	63,810
	1,505,612	1,680,252

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

As at 31 December 2021, completed properties held for sale with net book value of RMB623,748,000 (2020: RMB927,913,000), were pledged as collateral for the Group's bank and other borrowings (Note 29).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

23 Trade and other receivables and prepayments

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Included in current assets:		
Trade receivables – third parties (<i>Note (a)</i>)	69,060	6,224
Other receivables – third parties (<i>Note (b)</i>)	166,407	165,728
Other receivables – non-controlling interests (<i>Note (b)</i>)	450,247	–
Prepayments for acquisition of land use rights (<i>Note (c)</i>)	500,101	1,625,200
Other prepayments (<i>Note (d)</i>)	61,270	49,713
	1,247,085	1,846,865
Less: non-current portion	(11,634)	(13,805)
Less: impairment	(6,407)	(1,756)
	1,229,044	1,831,304

As at 31 December 2021 and 2020, the fair value of trade and other receivables approximated their carrying amounts.

As at 31 December 2021, trade receivables with net book value of RMB2,154,000 (2020: RMB1,206,000) were pledged as collateral for the Group's bank and other borrowings (*Note 29*).

(a) Details of trade receivables are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables – third parties	69,060	6,224
Less: allowance for impairment	(1,666)	–
Trade receivables – net	67,394	6,224

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	68,173	6,224
Over 1 year	887	–
	69,060	6,224

Trade receivables mainly arise from rental income, provision of construction services, sales of properties and hotel operations. Proceeds from sale of properties are generally received in accordance with the terms stipulated in the sale and purchase agreements.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2021, a provision of RMB1,666,000 was made against the gross amounts of trade receivables (31 December 2020: nil) (*Note 3.1.2(a)*).

The Group's trade receivables are denominated in RMB (2020: same).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

23 Trade and other receivables and prepayments (continued)

(b) Details of other receivables are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Deposits for acquisition of land use rights	91,258	95,305
Other receivables due from non-controlling interests (<i>Note (i)</i>)	450,247	–
Other receivables due from third parties	75,149	70,423
	616,654	165,728
Less: allowance for impairment	(4,741)	(1,756)
Other receivables – net	611,913	163,972

(i) Other receivables represent cash advances amounted to approximately RMB262,199,000 made to non-controlling interests, which are unsecured, interest free and repayable on demand, and the remaining amount mainly represent consideration due from a non-controlling shareholder of a subsidiary.

(c) Amounts represent up-front payments for acquiring land use rights for property development. The amounts will be transferred to properties under development in the balance sheet when the Group obtains contractual usage rights of the relevant lands.

(d) Details of other prepayments are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Prepayments for property development projects	23,985	20,392
Prepaid business taxes and other taxes	6,862	3,130
Others	30,423	26,191
Other prepayments	61,270	49,713

24 Prepaid taxes

Details of prepaid taxes are as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Corporate income taxes	18,488	53,188
Land appreciation taxes	45,005	14,865
Value added taxes	72,974	12,987
	136,467	81,040

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

25 Restricted cash

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Guarantee deposits for construction of pre-sold properties (<i>Note (a)</i>)	842,837	115,699
Guarantee deposits for borrowings (<i>Note (b)</i>)	70,000	197,276
Guarantee deposits for urban development project	310,000	–
Others	46,538	10,804
	1,269,375	323,779
Denominated in:		
– RMB	1,263,730	120,839
– US\$	192	196,726
– HK\$	5,453	6,214
	1,269,375	323,779

The directors of the Group are of the view that the restricted cash listed above will be released within the normal operating cycle.

- (a) In accordance with relevant documents, certain property development companies of the Group are required to place at designated bank accounts the pre-sale proceeds of properties received as the guarantee deposits for the constructions of related properties. The deposits can be used for payments of construction costs of related property projects upon the approval of the local State-Owned Land and Resource Bureau. Such guarantee deposits will be released according to the completion stage of the related properties.
- (b) Pursuant to certain bank loan agreements, the Group is required to place certain cash deposits as securities for borrowings. Such guarantee deposits will only be released after full repayment of relevant borrowings.

As at 31 December 2021, the Group has placed cash deposits of approximately RMB70,000,000 (2020: RMB197,276,000) with designated banks as security for bank borrowings (*Note 29*).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

26 Cash and cash equivalents

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash at bank and in hand	2,299,769	2,361,444
Less: restricted cash	(1,269,375)	(323,779)
Cash and cash equivalents	1,030,394	2,037,665

Cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Denominated in RMB	687,462	1,515,595
Denominated in HK\$	330,431	246,962
Denominated in US\$	12,501	275,108
	1,030,394	2,037,665

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

27 Share capital

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares	Total
Authorised				
As at 31 December 2021 and 2020	2,500,000,000			
Issued and fully paid				
As at 31 December 2021 and 2020	1,646,173,000	HK\$16,462,000	RMB14,746,000	RMB14,746,000

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

28 Other reserves and retained earnings

	Combined reserves (Note (a)) RMB'000	Statutory reserve (Note (b)) RMB'000	Exchange difference RMB'000	Total reserves RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2020	1,726,596	100,189	(61,583)	1,765,202	939,006	2,704,208
Profit for the year	-	-	-	-	485,203	485,203
Transfer to statutory reserves	-	30,417	-	30,417	(30,417)	-
Other comprehensive income	-	-	40,644	40,644	-	40,644
Dividends paid	-	-	-	-	(209,558)	(209,558)
Balance at 31 December 2020	1,726,596	130,606	(20,939)	1,836,263	1,184,234	3,020,497
Balance at 1 January 2021	1,726,596	130,606	(20,939)	1,836,263	1,184,234	3,020,497
Profit for the year	-	-	-	-	216,446	216,446
Transfer to statutory reserves	-	23,722	-	23,722	(23,722)	-
Transfer to retained earnings	(30,772)	-	-	(30,772)	30,772	-
Other comprehensive income	-	-	28,681	28,681	-	28,681
Dividends paid	(170,543)	-	-	(170,543)	-	(170,543)
Balance at 31 December 2021	1,525,281	154,328	7,742	1,687,351	1,407,730	3,095,081

- (a) Combined reserves of the Group represents the difference between the share capital of subsidiaries acquired over the nominal value of the shares of the Company issued in exchange pursuant to the Group reorganisation undertaken for listing of Company on Hong Kong Stock Exchange.
- (b) Pursuant to the relevant rules and regulation concerning foreign investment enterprise established in the PRC and the articles of association of certain PRC subsidiaries of the Group, those subsidiaries are required to transfer an amount of their profit after taxation to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund may be distributed to equity holders in form of bonus issue.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

29 Bank and other borrowings

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Bank borrowings	3,484,088	2,138,581
Senior notes (<i>Note (a)</i>)	1,011,609	973,224
	4,495,697	3,111,805
Included in non-current bank borrowings:		
– Secured (<i>Notes (c) & (d)</i>)	2,881,725	1,547,514
– Unsecured (<i>Note (d)</i>)	602,363	590,567
Less: current portion of non-current bank borrowings	(1,227,312)	(569,103)
	2,256,776	1,568,978
Included in current bank borrowings:		
– Secured (<i>Notes (c) & (d)</i>)	–	500
– Unsecured (<i>Note (d)</i>)	1,011,609	973,224
Add: current portion of non-current bank borrowings	1,227,312	569,103
	2,238,921	1,542,827
Total borrowings	4,495,697	3,111,805

- (a) On 8 February 2021, the Company issued senior notes with nominal interest rate 7.5% in an aggregate principal amount of US\$155,000,000 in Hong Kong (the “**2021 Notes**”). The issue of the 2021 Notes comprised of the exchange offer of the existing senior notes due 9 March 2021 amounting to US\$137,500,000 and completion of concurrent new money issuance amounting to US\$17,500,000. The 2021 Notes have matured on 7 February 2022. The 2021 Notes were listed on the Stock Exchange on 9 February 2021.

The above senior notes are guaranteed by certain subsidiaries of the Group.

- (b) As at 31 December 2021, the Group's borrowings are denominated in following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	2,960,725	1,550,014
HK\$	523,363	588,567
US\$	1,011,609	973,224
	4,495,697	3,111,805

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

29 Bank and other borrowings (continued)

- (c) As at 31 December 2021, bank and other borrowings totalling RMB2,881,725,000 (2020: RMB1,548,014,000) of the Group were secured by the following assets together with the Group's shares of certain subsidiaries:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Lands	12,720	13,263
Property, plant and equipment	248,843	260,917
Investment properties	179,484	197,902
Properties under development	2,328,613	965,675
Completed properties held for sale	623,748	927,913
Trade receivables	2,154	1,206
Restricted cash	70,000	197,276
	3,465,562	2,564,152

- (d) The Group's unsecured borrowings of RMB1,613,972,000 (2020: RMB1,563,791,000) as at 31 December 2021 were guaranteed by certain subsidiaries or the ultimate controlling shareholder.

The Group's secured borrowings of RMB2,881,725,000 (2020: RMB1,548,014,000) as at 31 December 2021 were guaranteed by the Company, certain subsidiaries or the ultimate controlling shareholder.

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Less than 1 year	4,180,497	2,855,805
1-5 years	315,200	256,000
	4,495,697	3,111,805

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

29 Bank and other borrowings (continued)

(f) The repayment terms of the borrowings were as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 1 year	2,238,921	1,542,827
1 to 2 years	773,874	627,049
2 to 5 years	1,085,782	615,264
Over 5 years	397,120	326,665
	4,495,697	3,111,805

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

	As at 31 December	
	2021	2020
Bank and other borrowings	6.40%	6.20%
Senior notes	8.63%	8.48%

(h) The carrying amounts of the borrowings approximate their fair values as at 31 December 2021 and 2020 as the impact of discounting of borrowing with fixed interest rate is not significant or the borrowings carry floating interest rate.

30 Trade and other payables

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade payables (Note (a))	902,718	810,620
Notes payable	184,247	105,171
Amounts due to non-controlling interests and their related parties (Note (b))	945,212	422,575
Outstanding consideration payables for acquisitions	35,195	46,995
Contract liabilities (Note 5)	1,565,203	1,036,001
Deposits payable (Note (c))	39,041	43,928
Accrued expenses	53,539	40,223
Salaries payable	16,115	43,467
Other taxes payable	133,457	129,091
Interest payable	9,234	27,242
Other payables (Note (d))	73,491	73,947
	3,957,452	2,779,260

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

30 Trade and other payables (continued)

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Within 90 days	460,983	438,381
Over 90 days and within 365 days	332,455	208,556
Over 365 days	109,280	163,683
	902,718	810,620

The Group's trade payables as at 31 December 2021 is denominated in RMB, US\$ and HK\$.

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	901,680	809,557
US\$	898	919
HK\$	140	144
	902,718	810,620

- (b) Amounts included certain cash advances from non-controlling interest and their related parties of approximately RMB116,456,000 which bears interest rate at 4.75% and is repayable according to respective arrangements, and the remaining amounts due to non-controlling interest and their related parties are interest free and repayable on demand.
- (c) The deposits payables mainly include: (i) the deposits from property purchasers of the Group; and (ii) quality guarantee and bidding deposit from constructors. The deposits are unsecured, interest free and repayable according to terms and conditions mutually agreed with the counter parties.
- (d) Other payables mainly represent payables to third parties and maintenance funds, which are unsecured, interest free and repayable on demand.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

31 Cash flow information

(a) Cash used in operations:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit for the year	198,823	478,397
Adjustments for:		
Income tax expense	164,916	306,113
Finance income	(18,430)	(21,213)
Finance costs	12,064	37,378
Depreciation and amortisation of intangible assets and right-of-use assets (Note 6)	29,076	27,766
Share of results of associates	(29,038)	(55,528)
Share of results of a joint venture	5,404	2,457
Fair value gain on the remeasurement of investment in a joint venture (Note 9)	(34,121)	–
Fair value losses/(gains) on investment properties (Note 9)	9,208	(68,042)
Interest of financial assets at fair value through profit or loss (Note 9)	(2,531)	(3,844)
Gains on disposal of subsidiaries (Note 9)	–	(151)
Provision for impairment of account receivables and other receivables	5,837	873
Losses/(gains) on disposals of property, plant and equipment (Note 9)	78	(157)
Net exchange differences	(57)	(17,413)
(Realisation)/elimination of unrealised profits	(1,810)	981
	339,419	687,617
Changes in working capital:		
Properties under development and completed properties held for sale and inventories	(2,039,597)	(262,614)
Restricted cash	(735,748)	(58,578)
Trade and other receivables and prepayments	1,140,203	(1,455,356)
Amount due from related parties – trade balance	2,256	(4,027)
Prepaid taxes (excluding prepaid income taxes)	(63,719)	19,159
Contract costs	(10,524)	4,402
Trade and other payables	(19,756)	(46,992)
Amount due to related parties – trade balance	–	(50,000)
	(1,726,885)	(1,854,006)
Cash used in operations	(1,387,466)	(1,166,389)

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

31 Cash flow information (continued)

- (b) In the consolidated statement of cash flows, proceeds from disposals of property, plant and equipment comprise:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Net book amount (Note 17)	147	147
(Losses)/gains on disposals (Note 9)	(78)	157
Proceeds	69	304

- (c) Reconciliation of liabilities arising from financing activities:

	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Amounts due to related parties RMB'000	Lease liabilities RMB'000	Amounts due to non- controlling interests and their related parties	Total RMB'000
					RMB'000	
Balance as at 1 January 2020	1,923,102	1,379,922	50,000	66,664	62,123	3,481,811
Cash flows-operating activities	-	-	-	(3,261)	-	(3,261)
Cash flows-financing activities	(949,378)	1,581,706	-	(5,522)	360,452	987,258
Reclassification	569,103	(569,103)	-	-	-	-
Currency translation differences	-	-	-	(59)	-	(59)
Disposal of subsidiaries	-	(823,547)	-	-	-	(823,547)
Other non-cash movements (Note (i))	-	-	(50,000)	10,908	-	(39,092)
Balance as at 31 December 2020	1,542,827	1,568,978	-	68,730	422,575	3,603,110
Balance as at 1 January 2021	1,542,827	1,568,978	-	68,730	422,575	3,603,110
Cash flows-operating activities	-	-	-	(3,208)	-	(3,208)
Cash flows-financing activities	(531,218)	1,045,680	-	(3,355)	522,637	1,033,744
Reclassification	1,227,312	(1,227,312)	-	-	-	-
Currency translation differences	-	-	-	(118)	-	(118)
Change from a joint venture to a subsidiary (Note 37)	-	869,430	-	-	-	869,430
Other non-cash movements (Note (i))	-	-	-	3,705	-	3,705
Balance as at 31 December 2021	2,238,921	2,256,776	-	65,754	945,212	5,506,663

- (i) Other non-cash movements mainly comprise: (i) accrued interest expense on lease liabilities, (ii) the amounts due to an associate were settled with revenue recognition arising from rendering of decoration services.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

32 Guarantee

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Guarantees in respect of mortgage facilities for certain purchasers (<i>Note (a)</i>)	1,636,560	1,341,643
Guarantees for borrowings of a joint venture (<i>Note (b)</i>)	387,500	422,500

- (a) The Group has arranged bank financing for certain purchasers of the Group's property units and provided guarantees to secure obligations of such purchasers for repayments. Such guarantees terminate upon the earlier of (i) issuance of the real estate ownership certificate, which will generally be available within an average period of two to three years upon the completion of guarantee registration; or (ii) the satisfaction of mortgaged loan by the purchasers of properties.

Pursuant to the terms of the guarantees, upon default in mortgage payments by these purchasers, the Group is responsible to repay the outstanding mortgage principals together with accrued interest and penalty owed by the defaulted purchasers to the banks and the Group is entitled to take over the legal title and possession of the related properties. The Group's guarantee period starts from the dates of grant of the mortgages. The directors consider that the likelihood of default in payments by purchasers is minimal and therefore the financial guarantee measured at fair value is immaterial.

- (b) As at 31 December 2021, the Group had provided guarantees for borrowings of the Group's joint venture amounting to RMB387,500,000 (31 December 2020: RMB422,500,000).

33 Commitments

Commitments for property development expenditure:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contracted but not provided for:		
Acquisition of land use rights	459,000	703,770
Property development activities	1,525,173	1,671,392
	1,984,173	2,375,162

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

34 Lease liabilities

(a) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to lease liabilities:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Right-of-use assets	248,953	258,196

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Lease liabilities		
Current	5,551	5,122
Non-current	60,203	63,608
	65,754	68,730

(b) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to lease:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Amortisation charge of right-of-use assets	9,650	9,880
Interest expense (included in finance costs)	3,208	3,261

The total cash outflow for leases for the year ended 31 December 2021 was RMB6,563,000 (2020: RMB8,783,000).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

34 Lease liabilities (continued)

(c) Commitments and present value of lease liabilities are shown in the table below for the year ended 31 December 2021:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Commitments in relation to lease liabilities are payable as follows:		
Within 1 year	8,589	8,315
1 to 2 years	5,020	6,520
2 to 5 years	12,141	13,240
Over 5 years	130,755	134,586
Minimum lease payments	156,505	162,661
Future finance charges	(90,751)	(93,931)
Total lease liabilities	65,754	68,730

	As at 31 December	
	2021 RMB'000	2020 RMB'000
The present value of lease liabilities is as follows:		
Within 1 year	5,551	5,122
1 to 2 years	2,131	3,489
2 to 5 years	3,908	4,805
Over 5 years	54,164	55,314
	65,754	68,730

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

34 Lease liabilities (continued)

(d) Movements of lease liabilities is shown in the table below for the year ended 31 December 2020:

	Lease liabilities – current RMB'000	Lease liabilities – non-current RMB'000
At 1 January 2020	3,743	62,921
Lease payment	(8,783)	–
Accrued interest	3,261	–
Increase in right-of-use assets	3,617	4,030
Exchange difference	(59)	–
Reclassification between current and non-current	3,343	(3,343)
As at 31 December 2020	5,122	63,608

(e) Movements of lease liabilities is shown in the table below for the year ended 31 December 2021:

	Lease liabilities – current RMB'000	Lease liabilities – non-current RMB'000
At 1 January 2021	5,122	63,608
Lease payment	(6,563)	–
Accrued interest	3,208	–
Increase in right-of-use assets	179	318
Exchange difference	(52)	(66)
Reclassification between current and non-current	3,657	(3,657)
As at 31 December 2021	5,551	60,203

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

35 Related party transactions

The ultimate holding company of the Company is Sze Ming Limited, and the ultimate controlling shareholder of the Company is CHAN Sze Ming Michael.

(a) Name and relationship with related parties

Name	Relationship
CHAN Sze Ming Michael	Ultimate controlling shareholder
Donghuzhou	Associate of the Group
Guangzhou Zhujing	Associate of the Group
Zhongshan Jingyue	Joint venture of the Group

(b) Transactions with related parties

The ultimate controlling shareholder of the Company is CHAN Sze Ming Michael, who own 72.9% of the Company's shares.

The Group had the following transactions with related parties for the year ended 31 December 2021:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
(i) Rendering of property management services		
– Donghuzhou	1,580	1,694
– Guangzhou Zhujing	379	–
Total	1,959	1,694
(ii) Rendering of management consultancy services		
– Guangzhou Jingyu Real Estate Development Co., Ltd. (“Guangzhou Jingyu”)	–	726
– Donghuzhou	8,392	4,750
Total	8,392	5,476
(iii) Rendering of decoration services		
– Donghuzhou	12,435	45,872
Total	12,435	45,872
(iv) Providing guarantees for borrowings		
– Zhongshan Jingyue	387,500	422,500
Total	387,500	422,500
(v) Provision of guarantee in respect of borrowings outstanding		
– ultimate controlling shareholder	1,278,553	1,255,106
Total	1,278,553	1,255,106

The prices for the above transactions were determined in accordance with the terms of the underlying agreements.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

35 Related party transactions (continued)

(c) Balances with related parties

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Amounts due from associates and joint ventures		
Trade balances		
– Donghuzhou	3,052	5,761
– Guangzhou Zhujing	395	–
	3,447	5,761
Non-trade balances		
– Guangzhou Jingyu	–	109,360
– Guangzhou Xinze	–	1,964
– Donghuzhou	5,957	6,038
– Guangzhou Zhujing	61,123	–
	67,080	117,362
Total amounts due from related parties	70,527	123,123

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

(d) Key management compensation

Key management compensation for the years ended 31 December 2021 and 2020 are set out below:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Key management compensation		
– Salaries and other employee benefits	13,469	31,410
– Pension costs	101	53
– Fees	1,131	–
	14,701	31,463

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below:

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
景業控股有限公司 Jingye Holdings Limited	13/12/2013	Limited liability company	BVI	Investment holding	US\$101	US\$200	100%	-	-
廣州意濃實業有限公司 Guangzhou Yinong Enterprise Co., Ltd. ("Guangzhou Yinong") ⁸	01/07/2002	Limited liability company	Mainland China	Property development	RMB 500,000,000	RMB 500,000,000	-	100%	-
廣州市景業房地產開發有限公司 Guangzhou Jingye Real Estate Development Co., Ltd. ⁸	18/06/2008	Limited liability company	Mainland China	Property development	RMB 301,000,000	RMB 301,000,000	-	100%	-
海南景業房地產開發有限公司 Hainan Jingye Real Estate Development Co., Ltd.	25/12/2013	Limited liability company	Mainland China	Property development	RMB 100,000,000	RMB 100,000,000	-	100%	-
廣州卓都物業管理有限公司 Guangzhou Zhuodu Property Management Co., Ltd. ("Guangzhou Zhuodu")	30/07/2014	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	-	100%	-
海南卓都物業服務有限公司 Hainan Zhuodu Property Services Co., Ltd.	31/10/2014	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	-	100%	-
中山市景雅裝飾工程有限公司 Zhongshan Jingya Decoration Engineering Co., Ltd.	25/03/2005	Limited liability company	Mainland China	Building decoration	RMB 500,000	RMB 500,000	-	100%	-
廣州廣澤房地產開發有限公司 Guangzhou Guangze Real Estate Development Co., Ltd. ("Guangzhou Guangze")	05/11/2010	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB 10,000,000	-	100%	-
廣州市江河水泥製品有限公司 Guangzhou Jianghe Cement Products Co., Ltd.	14/03/2001	Limited liability company	Mainland China	Property development	RMB 10,500,000	RMB 10,500,000	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
景業控股(香港)有限公司 Jingye Holdings (HK) Limited ("Jingye Holdings (HK)")	02/01/2014	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
景業健康產業控股有限公司 Jingye Health Industry Holdings Limited	19/11/2015	Limited liability company	BVI	Health management	US\$1	US\$1	-	100%	-
景業健康產業有限公司 Jingye Health Industry Limited	30/11/2015	Limited liability company	Hong Kong	Health management	HK\$1	HK\$1	-	100%	-
廣州卓思道酒店管理有限公司 Guangzhou Zhuosidao Hotel Management Co., Ltd.*	22/07/2015	Limited liability company	Mainland China	Hotel management	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣州市舜邦投資管理有限公司 Guangzhou Shunbang Investment Management Co., Ltd.	21/08/2015	Limited liability company	Mainland China	Property investment	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣東景業健康產業發展有限公司 Guangdong Jingye Health Industry Development Co., Ltd.*	05/12/2016	Limited liability company	Mainland China	Business management	RMB 10,000,000	RMB 1,016,000	-	100%	-
廣州市舜安健康產業管理有限公司 Guangdong Shun'an Health Industry Management Co., Ltd.	05/01/2016	Limited liability company	Mainland China	Health management	RMB 1,000,000	RMB 1,000,000	-	100%	-
廣州景譽健康管理發展有限公司 Guangzhou Jingyu Health Industry Development Co., Ltd.	10/03/2016	Limited liability company	Mainland China	Health management	RMB 10,000,000	RMB 200,000	-	100%	-

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(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
廣州崇譽投資有限公司 Guangzhou Chongyu Investment Co., Ltd.	18/01/2017	Limited liability company	Mainland China	Business management	RMB 400,000,000	RMB 346,436,000	-	60%	40%
廣州新芳實業有限公司 Guangzhou Xinfang Enterprise Co., Ltd.	08/06/2000	Limited liability company	Mainland China	Property development	RMB 399,000,000	RMB 344,010,000	-	60%	40%
廣州縣邦投資有限公司 Guangzhou Haobang Investment Co., Ltd.	31/05/2010	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB 10,000,000	-	60%	40%
英德景業房地產有限公司 Yingde Jingye Real Estate Co., Ltd.	12/09/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣州創藝裝飾工程有限公司 Guangzhou Chuangyi Decoration Engineering Co., Ltd.	24/04/2017	Limited liability company	Mainland China	Building decoration	RMB 50,000,000	RMB 50,090,000	-	100%	-
英德桑緣農業發展有限公司 Yingde Sangyuan Agriculture Development Co., Ltd.	11/04/2014	Limited liability company	Mainland China	Property development	RMB 52,000,000	RMB 10,400,000	-	80%	20%
英德市山湖居房地產開發有限公司 Yingde Shanhuju Real Estate Development Co., Ltd.	22/07/2011	Limited liability company	Mainland China	Property development	RMB 25,000,000	RMB 25,000,000	-	100%	-
英德景創房地產開發有限公司 Yingde Jingchuang Real Estate Development Co., Ltd.	19/09/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 35,000,000	-	70%	30%

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(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
英德金雄水泥有限公司 Yingde Jinxiong Cement Co., Ltd.	19/05/1994	Limited liability company	Mainland China	Property development	RMB 24,120,000	RMB 24,120,000	-	100%	-
廣州市番禺區德誠銅業有限公司 Guangzhou Panyu Decheng Copper Co., Ltd.	08/06/1999	Limited liability company	Mainland China	Property development	RMB 2,000,000	RMB 2,000,000	-	100%	-
舜邦投資管理(香港)有限公司 Shunbang Investment Management (HK) Limited	22/11/2017	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-
舜邦投資管理控股有限公司 Shunbang Investment Management Holdings Limited	01/11/2017	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
舜邦商務管理(廣州)有限公司 Shunbang Corporate Management (Guangzhou) Co., Ltd.*	23/04/2018	Limited liability company	Mainland China	Business management	RMB 100,000,000	RMB 50,000,000	-	100%	-
景業名邦控股(廣州)有限公司 Jingye Mingbang Holdings (Guangzhou) Co., Limited*	27/03/2018	Limited liability company	Mainland China	Business management	RMB 850,000,000	RMB 834,500,000	-	100%	-
騰衝景業房地產開發有限公司 Tengchong Jingye Real Estate Development Co., Ltd.	24/01/2018	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
卓思道酒店管理控股有限公司 Zhuosidao Hotel Management Holdings Limited	27/03/2018	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
景業酒店管理(香港)有限公司 Jingye Hotel Management (HK) Limited	30/04/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
株洲景業房地產開發有限公司 Zhuzhou Jingye Real Estate Development Co., Ltd.	25/07/2018	Limited liability company	Mainland China	Property development	RMB 300,000,000	RMB 300,000,000	-	100%	-
廣州市景悅房地產有限公司 Guangzhou Jingyue Real Estate Co., Ltd.	20/08/2018	Limited liability company	Mainland China	Property development	RMB 10,000,000	RMB0	-	90%	10%
肇慶市景悅科技發展有限公司 Zhaqing Jingyue Technology Development Co., Ltd.	28/08/2018	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	90%	10%
廣州市普盛房地產開發有限公司 Guangzhou Pusheng Real Estate Development Co., Ltd.	22/12/2015	Limited liability company	Mainland China	Property development	RMB 5,000,000	RMB 5,000,000	-	100%	-
海南炬煜房地產開發有限公司 Hainan Xuanyu Real Estate Development Co., Ltd.	16/10/2017	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
雅安景業健康產業發展有限公司 Ya'an Jingye Health Industry Development Co., Ltd.	27/07/2018	Limited liability company	Mainland China	Health management	RMB 100,000,000	RMB 30,000,000	-	100%	-
英德市錦坤實業投資有限公司 Yingde Jinkun Enterprise Investment Co., Ltd.	11/09/2014	Limited liability company	Mainland China	Property development	RMB 1,000,000	RMB 1,000,000	-	100%	-
英德市卓都物業管理有限公司 Yingde Zhuodu Property Management Co., Ltd.	24/08/2018	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB0	-	100%	-
雲南卓都物業管理有限公司 Yunnan Zhuodu Property Management Co., Ltd.	20/09/2018	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB 1,000,000	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
創藝控股有限公司 Chuangyi Holdings Limited	05/07/2018	Limited liability company	BVI	Investment holding	US\$10	US\$10	-	100%	-
創藝控股(香港)有限公司 Chuangyi Holdings (HK) Limited	30/08/2018	Limited liability company	Hong Kong	Investment holding	HK\$10	HK\$10	-	100%	-
泓創控股(廣州)有限公司 Hongchuang Holdings (Guangzhou) Co., Ltd.*	25/10/2018	Limited liability company	Mainland China	Investment holding	RMB 5,000,000	RMB 5,000,000	-	100%	-
廣州市泓創建設有限公司 Guangzhou Hongchuang Construction Co., Ltd.	07/11/2018	Limited liability company	Mainland China	Construction Development	RMB 50,000,000	RMB 5,000,000	-	100%	-
湖南卓都物業服務有限公司 Hunan Zhuodu Property Services Co., Ltd.	08/01/2019	Limited liability company	Mainland China	Property management	RMB 3,000,000	RMB0	-	100%	-
景業名邦投資(威海)有限公司 Jingye Mingbang Investment (Weihai) Co., Ltd.*	24/06/2019	Limited liability company	Mainland China	Investment holding	RMB 350,000,000	RMB 130,000,000	-	100%	-
威海景隆投資發展有限公司 Weihai Jinglong Investment Development Co., Ltd.	04/07/2019	Limited liability company	Mainland China	Investment holding	RMB 130,000,000	RMB 130,000,000	-	100%	-
廣州景隆投資發展有限公司 Guangzhou Jinglong Investment Development Co., Ltd.	15/07/2019	Limited liability company	Mainland China	Investment holding	RMB 130,000,000	RMB 130,000,000	-	100%	-
肇慶卓都物業管理有限公司 Zhaqing Zhuodu Property Management Co., Ltd.	16/08/2019	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB0	-	100%	-

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
騰衝景盛房地產開發有限公司 Tengchong Jingsheng Real Estate Co., Ltd.	16/03/2020	Limited liability company	Mainland China	Property management	RMB 50,000,000	RMB 50,000,000	-	100%	-
騰衝景隆置業有限公司 Tengchong Jinglong Real Estate Co., Ltd.	09/04/2020	Limited liability company	Mainland China	Property management	RMB 50,000,000	RMB0	-	100%	-
騰衝卓思道酒店有限公司 Tengchong Zhuosidao Hotel Co., Ltd.	03/03/2020	Limited liability company	Mainland China	Hotel management	RMB 3,000,000	RMB0	-	100%	-
廣東晟眾建設工程有限公司 Guangdong Shengzhong Construction Engineering Limited	09/11/2019	Limited liability company	Mainland China	Construction Development	RMB 48,000,000	RMB0	-	100%	-
景星控股(香港)有限公司 Jingxing Holdings (HK) Limited	05/02/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	100%	-
幸領環球有限公司 Lucky Lead Global Limited	05/02/2020	Limited liability company	BVI	Investment holding	US\$ 310,000,000	US\$ 184,010,000	-	51%	49%
幸領環球(香港)有限公司 Lucky Lead Global (HK) Limited	20/04/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	51%	49%
景萃控股(香港)有限公司 Jingcui Holdings (HK) Limited	19/10/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	51%	49%
景茂控股(香港)有限公司 Jingmao Holdings (HK) Limited	19/10/2020	Limited liability company	Hong Kong	Investment holding	HK\$1	HK\$1	-	51%	49%
廣州幸領投資發展有限公司 Guangzhou Lucky Lead Investment Development Limited	20/11/2020	Limited liability company	Mainland China	Investment holding	RMB 1,000,000,000	RMB 1,000,000,000	-	51%	49%

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
幸領環球投資(南京)有限公司 Lucky Lead Global Investment (Nanjing) Limited*	19/11/2020	Limited liability company	Mainland China	Investment holding	RMB 1,000,000,000	RMB 1,000,000,000	-	51%	49%
南京景龍尚御實業發展有限公司 Nanjing Jinglong Shangyu Enterprise Investment Limited®	24/12/2020	Limited liability company	Mainland China	Property development	RMB 1,060,000,000	RMB 1,060,000,000	-	26%	74%
南京萬華通控股有限公司 Nanjing Wanhuatong Holdings Limited	19/11/2020	Limited liability company	Mainland China	Property development	RMB 1,200,000,000	RMB 1,200,000,000	-	100%	-
東莞市景隆投資發展有限公司 Dongguan Jinglong Investment Development Limited	05/01/2021	Limited liability company	Mainland China	Investment holding	RMB 50,000,000	RMB0	-	100%	-
廣州卓思道民宿管理有限公司 Guangzhou Zhuo Si Dao B&B Management Co., Ltd.	22/04/2021	Limited liability company	Mainland China	Hotel management	RMB 2,000,000	RMB0	-	100%	-
廣州卓思道公寓管理有限公司 Guangzhou Zhuo Sidao Apartment Management Co., Ltd.	27/04/2021	Limited liability company	Mainland China	Hotel management	RMB 2,000,000	RMB0	-	100%	-
湖南卓豐物業服務有限公司 Hunan Zhuofeng Property Service Co., Ltd.	17/12/2020	Limited liability company	Mainland China	Property management	RMB 10,000,000	RMB0	-	51%	49%
廣州市金頌房地產開發有限公司 Guangzhou Jinshuo Real Estate Development Co., Ltd.	19/03/2021	Limited liability company	Mainland China	Property development	RMB 275,400,000	RMB 275,400,000	-	50%	50%
廣州市金軒房地產開發有限公司 Guangzhou Jinxuan Real Estate Development Co., Ltd.	07/05/2021	Limited liability company	Mainland China	Property development	RMB 275,400,000	RMB 275,400,000	-	50%	50%

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(a) Particulars of the subsidiaries of the Group as at 31 December 2021 are set out as below: (continued)

Name of companies	Date of incorporation/ establishment	Type of legal status	Place of operation/ establishment	Principal activities	Registered/ Issued capital	Paid-up capital	Ownership interests held by the Group		
							Attributable equity interests		Equity interests held by non-controlling interests
							Direct	Indirect	
廣州景盛房地產發展有限公司 Guangzhou Jingsheng Real Estate Development Co., Ltd.	18/12/2020	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	100%	-
廣州景譽投資有限公司 Guangzhou Jingyu Investment Co., Ltd.	03/06/2021	Limited liability company	Mainland China	Health management	RMB 10,000,000	RMB [#]	-	70%	30%
廣州鑫澤集永房地產開發有限公司 Guangzhou Xinze Jiyong Real Estate Development Co., Ltd	12/10/2020	Limited liability company	Mainland China	Property development	RMB 166,666,700	RMB 166,666,700	-	51%	49%
廣州卓行物業管理有限責任公司 Guangzhou Zhuoxing Property Management Co., Ltd.	05/07/2021	Limited liability company	Mainland China	Property management	RMB 1,000,000	RMB [#]	-	100%	-
廣州景譽房地產開發有限公司 Guangzhou Jingyu Real Estate Development Co., Ltd.	22/07/2020	Limited liability company	Mainland China	Property development	RMB 50,000,000	RMB 50,000,000	-	51%	49%

[#] Registered as wholly foreign owned enterprises under PRC law

[@] Registered as sino-foreign equity joint venture under PRC law

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

The accumulated non-controlling interests as at 31 December 2021 was RMB1,669,012,000 (2020: RMB1,417,808,000).

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(b) Non-controlling interests (NCI)

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised consolidated balance sheet

	Lucky Lead Global Limited		Nanjing Jinglong Shangyu Enterprise Investment Limited		Guangzhou Jinshuo Real Estate Development Co., Ltd
	2021	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	4,247,504	2,934,585	2,338,761	1,441,951	515,382
Current liabilities	(1,978,282)	(1,217,280)	(848,695)	(382,267)	(241,454)
Current net assets	2,269,222	1,717,305	1,490,066	1,059,684	273,928
Non-current assets	26,240	183	25,911	79	454
Non-current liabilities	(475,000)	–	(475,000)	–	–
Non-current net assets	(448,760)	183	(449,089)	79	454
Net assets	1,820,462	1,717,488	1,040,977	1,059,763	274,382
Equity attributable to owners of the subsidiaries	1,310,383	1,198,204	530,898	540,479	137,191
Accumulated NCI	692,229	804,889	510,079	519,284	137,191

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

36 Particulars of subsidiaries (continued)

(b) Non-controlling interests (NCI) (continued)

Summarised consolidated statement of comprehensive income

	Lucky Lead Global Limited		Nanjing Jinglong Shangyu Enterprise Investment Limited		Guangzhou Jinshuo Real Estate Development Co., Ltd
	2021	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	-	-	-	-	-
Selling and marketing expenses	(16,815)	-	(16,815)	-	(870)
Administrative expenses	(8,583)	-	(8,025)	-	(150)
Loss for the period	(19,344)	(460)	(18,786)	(237)	(1,020)
Total comprehensive loss	(19,344)	(460)	(18,786)	(237)	(1,020)
Total comprehensive loss attributable to owners of the subsidiaries	(10,139)	(344)	(9,581)	(121)	(510)
Loss allocated to NCI	(4,968)	(168)	(9,205)	(116)	(510)
Dividends paid to NCI	107,692	-	-	-	-

Summarised consolidated cash flows

	Lucky Lead Global Limited		Nanjing Jinglong Shangyu Enterprise Investment Limited		Guangzhou Jinshuo Real Estate Development Co., Ltd
	2021	2020	2021	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities	(638,609)	(1,667,287)	(408,877)	(1,091,900)	(501,163)
Cash flows from investing activities	(51)	-	(51)	31,951	(129)
Cash flows from financing activities	745,696	1,718,566	500,000	1,060,000	502,200
Net increase in cash and cash equivalents	107,036	51,279	91,072	51	908

37 Change from a joint venture to a subsidiary

(a) Summary of acquisition

On 9 December 2021, the controlling right of the joint venture, Guangzhou Xinze was transferred to the Group according to the Article of Association.

The investments in Guangzhou Xinze is deemed as having been disposed, and were remeasured to fair value at the date of deemed disposal and the resulting gains of RMB34,121,000 from the remeasurements are recognised in the consolidated statement of comprehensive income in accordance with HKFRS 3 – Business Combinations.

(All amounts in RMB Yuan thousands unless otherwise stated)

37 Change from a joint venture to a subsidiary (continued)**(a) Summary of acquisition (continued)**

The following table summaries the remeasurement gains on the investments in the joint venture, the fair values of identifiable assets acquired, liabilities assumed and the non-controlling interests recognised at the consolidation date.

	9 December 2021 RMB'000
Carrying amounts of the Group's investments in respective entity	215,487
Remeasurement gain resulting from a joint venture transferred to a subsidiary	34,121
Fair value of the investments in respective entity	249,608

Recognised amounts of identifiable assets acquired and liabilities assumed

Cash and cash equivalents	17,447
Restricted cash	337,123
Trade receivables, prepayments and other receivables	430,457
Prepaid taxes	29,543
Contract costs	10,615
Properties under development	1,320,238
Deferred income tax assets	22,518
Bank and other borrowings	(869,430)
Trade and other payables	(216,319)
Current income tax liabilities	(9,611)
Contract liabilities	(555,197)
Deferred income tax liabilities	(27,957)
Total identifiable net assets	489,427
Non-controlling interests	(239,819)
Identifiable net assets attributable to the Company	249,608

(b) Purchase consideration – cash inflow

	9 December 2021 RMB'000
Inflow of cash to acquire subsidiaries, net of cash acquired	
Cash and cash equivalents in the subsidiaries acquired	17,447
Less: cash consideration paid	–
	17,447

The acquired business contributed revenue of RMB nil and net loss of RMB4,311,000 to the Group for the period from the acquisition date to 31 December 2021.

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

38 The Company's statement of financial position and reserves movements

(a) The Company's statement of financial position is as follows:

	Notes	As at 31 December	
		2021 RMB'000	2020 RMB'000
ASSETS			
Non-current assets			
Investment in subsidiaries		1,956,820	1,951,026
Current assets			
Amounts due from subsidiaries		1,808,885	1,835,949
Restricted cash		5,454	6,215
Cash and cash equivalents		130,995	225,219
		1,945,334	2,067,383
Total assets		3,902,154	4,018,409
EQUITY			
Share capital	27	14,746	14,746
Other reserves		2,030,853	2,232,168
Accumulated losses		(18,325)	(30,772)
Total equity		2,027,274	2,216,142
LIABILITIES			
Non-current liabilities			
Bank and other borrowings		–	526,790
Current liabilities			
Other payables		552	22,588
Amounts due to subsidiaries		339,356	217,888
Bank and other borrowings		1,534,972	1,035,001
		1,874,880	1,275,477
Total liabilities		1,874,880	1,802,267
Total equity and liabilities		3,902,154	4,018,409

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

38 The Company's statement of financial position and reserves movements (continued)

(b) Movements of the Company's other reserves are as follows:

	Other reserves RMB'000	Accumulated loss RMB'000
Balance at 1 January 2020	2,232,168	187,403
Loss for the year	–	(8,617)
Dividends paid	–	(209,558)
At 31 December 2020	2,232,168	(30,772)
Balance at 1 January 2021	2,232,168	(30,772)
Loss for the year	–	(18,325)
Transfer to retain earnings	(30,772)	30,772
Dividends paid	(170,543)	–
At 31 December 2021	2,030,853	(18,325)

39 Benefits and interests of directors

(a) Directors' emoluments

The directors' emoluments paid/payable by the companies now comprising the Group for the year ended 31 December 2021 are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Fees, salaries and other benefits	9,116	18,392
Discretionary bonuses	–	7,110
Fees	1,131	–
Pension costs	51	20
Total	10,298	25,522

(i) For the year ended 31 December 2021

Name of Directors	Contribution				Total RMB'000
	Salaries RMB'000	Discretionary bonuses RMB'000	to retirement scheme RMB'000	Fees RMB'000	
<i>Executive Directors</i>					
Mr. CHAN Sze Ming Michael (<i>Chairman</i>)	1,697	–	15	300	2,012
Mr. LIU Huaxi	2,265	–	10	204	2,479
Ms. ZHENG Catherine Wei Hong (<i>President</i>)	1,706	–	10	204	1,920
Mr. XUE Shuangyou	1,063	–	6	95	1,164
Mr. WU Xinping	1,678	–	10	164	1,852
Ms. WEI Miaochang	707	–	–	164	871
	9,116	–	51	1,131	10,298

Notes to the Consolidated Financial Statements (Continued)

(All amounts in RMB Yuan thousands unless otherwise stated)

39 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

(ii) For the year ended 31 December 2020

Name of Directors	Salaries RMB'000	Discretionary bonuses RMB'000	Contribution to retirement scheme RMB'000	Fees RMB'000	Total RMB'000
<i>Executive Directors</i>					
Mr. CHAN Sze Ming Michael (<i>Chairman</i>)	1,632	7,110	16	–	8,758
Mr. LIU Huaxi	5,246	–	1	–	5,247
Ms. ZHENG Catherine Wei Hong (<i>President</i>)	4,552	–	1	–	4,553
Mr. XUE Shuangyou	2,851	–	1	–	2,852
Mr. WU Xinping	2,831	–	1	–	2,832
Ms. WEI Miaochang	1,280	–	–	–	1,280
	18,392	7,110	20	–	25,522

Note:

Mr. CHAN Sze Ming Michael, Ms. ZHENG, Mr. WU, and Mr. XUE were appointed as the Company's executive directors on 2 November 2018.

Mr. LIU and Ms. WEI were appointed as the Company's executive directors on 24 May 2019.

Mr. MA Ching Nam, Mr. LEONG Chong and Mr. WU William Wai Leung were appointed as the Company's independent non-executive directors on 13 November 2019.

No remunerations are paid or receivables in respect of accepting offices as director for the years ended 31 December 2021 and 2020.

No emoluments are paid or receivable in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiaries undertaking for the years ended 31 December 2021 and 2020.

No director waived or agreed to waive any emoluments for the years ended 31 December 2021 and 2020.

(b) Directors' retirement benefits

For the years ended 31 December 2021 and 2020, no retirement benefits were paid to the directors of the Company by the Group in respect of the director's services as a director of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiaries.

(c) Directors' termination benefits

For the years ended 31 December 2021 and 2020, no payments to the directors of the Company as compensation for the early termination of the appointment.

(All amounts in RMB Yuan thousands unless otherwise stated)

39 Benefits and interests of directors (continued)

- (d) Consideration provided to third parties for making available directors' services
For the years ended 31 December 2021 and 2020, the Company didn't pay to any third party for making available directors' services.
- (e) Information about loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors
For the years ended 31 December 2021 and 2020, there were no loans, quasi-loans or other dealings in favor of directors of the Company, controlled bodies corporate and connected entities with such directors.
- (f) Directors' material interests in transactions, arrangements or contracts
Save as disclosed in Note 35, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time for the years ended 31 December 2021 and 2020.

40 Events after the statement of financial position date

On 27 January 2022, the Company issued senior notes with nominal interest rate 7.5% due 26 January 2023 in an aggregate principal amount of US\$152,100,000. The issue of the New Senior Notes comprised of the exchange offer of the existing 2021 Notes amounting to US\$149,600,000 and completion of concurrent new money issuance amounting to US\$2,500,000. The New Senior Notes were listed on the Stock Exchange on 28 January 2022.

THE COMPANY

PRINCIPAL AND REGISTERED OFFICES

Registered Office	Place of Business in Hong Kong
JY Grandmark Holdings Limited Cricket Square Hutchins Drive, PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands	JY Grandmark Holdings Limited Room 3008-3010, 30/F Tower one Times Square, 1 Matheson Street Causeway Bay, Hong Kong

TRUSTEE, PAYING AGENT, TRANSFER AGENT AND REGISTRAR

China Construction Bank (Asia) Corporation Limited

28/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

LEGAL ADVISERS TO THE COMPANY

As to U.S. and Hong Kong laws

Sidley Austin

Level 39, Two International
Finance Centre
8 Finance Street
Central, Hong Kong

As to PRC law

*As to Cayman Islands laws
and British Virgin Islands laws*

Jingtian & Gongcheng

34F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing

Conyers Dill & Pearman

29th Floor
One Exchange Square
8 Connaught Place
Central, Hong Kong

LEGAL ADVISERS TO THE DEALER MANAGER

As to PRC law

As to U.S. law

Tian Yuan Law Firm

20-21/F, China Life Financial Center
No. 23 Zhenzhi Road
Chaoyang District
Beijing, PRC

Jingtian & Gongcheng LLP

32/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

INDEPENDENT AUDITOR

Certified Public Accountants

Registered Public Interest Entity Auditor

PricewaterhouseCoopers

22/F, Prince's Building
Central
Hong Kong

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

In London:
65 Gresham Street
London EC2V 7 NQ
United Kingdom
Telephone: +44 20 7920 9700

In Hong Kong:
Suite 1601, 16/F, Central Tower
28 Queen's Road Central
Central, Hong Kong
Telephone: +852 3953 7208

Email: JYGrandmark@dfkingltd.com
Exchange Website: <https://sites.dfkingltd.com/JYGrandmark>

The Dealer Manager for the Exchange Offer is:

Haitong International Securities Company Limited

28/F, One IFC
1 Harbour View Street
Central, Hong Kong
Fax: +852 2973 6741
Attention: Debt Capital Market

補充交換要約備忘錄

IMPORTANT NOTICE

STRICTLY CONFIDENTIAL — DO NOT FORWARD — NOT FOR DISTRIBUTION IN OR INTO THE UNITED STATES OF AMERICA, ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES OR THE DISTRICT OF COLUMBIA (THE “UNITED STATES”) OR TO ANY PERSON LOCATED OR RESIDENT IN THE UNITED STATES OR IN ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THIS EXCHANGE OFFER IS AVAILABLE ONLY TO INVESTORS WHO ARE NOT U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) AND ARE OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached supplemental exchange offer memorandum (the “Supplemental 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 Supplemental Exchange Offer Memorandum. In accessing the Supplemental 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 Supplemental Exchange Offer Memorandum on the basis that you have confirmed your representation to Haitong International Securities Company Limited (the “Dealer Manager”) that (1) you are a holder or a beneficial owner of the Existing Notes (as defined in the Supplemental Exchange Offer Memorandum); (2) you are otherwise a person to whom it is lawful to send this Supplemental Exchange Offer Memorandum and to make an invitation pursuant to the exchange offer in accordance with applicable laws; (3) you and any person you represent or are acting for the account or benefit of are non-U.S. persons outside the United States and to the extent you acquire the securities described in the Supplemental Exchange Offer Memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and (4) you consent to delivery of the Supplemental Exchange Offer Memorandum and any amendments or supplements thereto by electronic transmission. The Supplemental Exchange Offer Memorandum is not a prospectus for the purposes of the European Union’s Regulation (EU) 2017/1129.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The New Notes (as defined in the Exchange Offer Memorandum (as defined below)) 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 European Economic Area (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 UNITED KINGDOM 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 (the “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 Financial Services and Markets Act 2000 (as amended, 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 the 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 Supplemental Exchange Offer Memorandum 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 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 Supplemental 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 the Supplemental Exchange Offer Memorandum or any of its contents.

The Supplemental Exchange Offer Memorandum 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 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.

Restriction: The Supplemental Exchange Offer Memorandum is being furnished in connection with an exchange offer exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the exchange of the securities described herein. You are reminded that the information in the Supplemental Exchange Offer Memorandum is not complete and may be changed.

THE EXISTING NOTES AND THE NEW NOTES (AS DEFINED IN THE SUPPLEMENTAL EXCHANGE OFFER MEMORANDUM) HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. 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 U.S. SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such 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 its respective affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be described to be made by the Dealer Manager or its respective affiliates on behalf of the issuer in such jurisdiction.

You are reminded that you have accessed the Supplemental Exchange Offer Memorandum on the basis that you are a person into whose possession such Supplemental 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 Supplemental 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.

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

You are responsible for protecting against viruses and other items of a destructive nature.

This listing document is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities. This listing document is for distribution to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) (“Professional Investors”) only.

Notice to Hong Kong investors: The Company (as defined in the Supplemental Exchange Offer Memorandum), the Subsidiary Guarantors (as defined in the Exchange Offer Memorandum) and the JV Subsidiary Guarantors (if any) (as defined in the Exchange Offer Memorandum) confirm that the New Notes are intended for purchase by Professional Investors only and will be listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on that basis. Accordingly, the Company, the Subsidiary Guarantors and the JV Subsidiary Guarantors (if any) confirm that the New Notes are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the New Notes on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the New Notes or the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) or the Group or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This Supplemental Exchange Offer Memorandum includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company, the Subsidiary Guarantors, the JV Subsidiary Guarantors (if any) and the Group. The Company accepts full responsibility for the accuracy of the information contained in this Supplemental Exchange Offer Memorandum and confirm having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

**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.
THE EXCHANGE OFFER IS AVAILABLE ONLY TO THE INVESTORS
WHO ARE NOT U.S. PERSONS AND ARE OUTSIDE THE UNITED STATES.**



JY GRANDMARK HOLDINGS LIMITED

景業名邦集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2231)

Offer to Exchange Any and All of the Outstanding 9.5% Senior Notes Due 2024

Description of Debt Securities	Outstanding Amount	ISIN / Common Code	Exchange Consideration per US\$1,000 of applicable Existing Notes accepted for exchange
9.5% Senior Notes Due 2024 (the "Existing Notes")	US\$152,100,000	XS2560991015/ 256099101	US\$1,000 in aggregate principal amount of New Notes and Capitalized Interest

This is the supplement (this "**Supplemental Exchange Offer Memorandum**") to the exchange offer memorandum of JY Grandmark Holdings Limited (the "**Company**") dated December 20, 2023 (the "**Exchange Offer Memorandum**"). All capitalized terms used in this Supplemental Exchange Offer Memorandum and not otherwise defined herein have the meanings set forth in the Exchange Offer Memorandum.

As of 4:00 p.m., London time on January 9, 2024, US\$152,100,000 of the Existing Notes, representing 100% of the total aggregate principal amount of the outstanding Existing Notes, have been validly tendered for exchange and accepted pursuant to the Exchange Offer. Upon completion of the Exchange Offer which is expected to occur on January 11, 2024, the Company will issue US\$159,284,612 in aggregate principal amount of the New Notes. Application has been made to the Hong Kong Stock Exchange for the listing of, and permission to deal in the New Notes, which is expected to become effective on January 12, 2024.

With respect to the Existing Notes validly tendered and accepted for exchange, subject to the fulfillment or waiver of the conditions precedent to the Exchange Offer, Eligible Holders of such Existing Notes will receive the Exchange Consideration on the Settlement Date of January 11, 2024.

The date of this Supplemental Exchange Offer Memorandum is January 10, 2024

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 Supplemental Exchange Offer Memorandum 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

In London:
65 Gresham Street
London EC2V 7 NQ
United Kingdom
Telephone: +44 20 7920 9700

In Hong Kong:
Suite 1601, 16/F, Central Tower
28 Queen's Road Central
Central, Hong Kong
Telephone: +852 3953 7208

Email: JYGrandmark@dfkingltd.com
Exchange Website: <https://sites.dfkingltd.com/JYGrandmark>

The Dealer Manager for the Exchange Offer is:

Haitong International Securities Company Limited

28/F, One IFC
1 Harbour View Street
Central, Hong Kong
Fax: +852 2973 6741
Attention: Debt Capital Market