

RISK FACTORS

Potential investors should carefully consider each of the risks described below and all of the other information contained in this document, including the Accountants’ Report included in Appendix I, before deciding to invest in the [REDACTED]. Our business, financial condition, results of operations or prospects may be materially and adversely affected by any of these risks. You should pay particular attention to the fact that our subsidiaries in China are located in a legal and regulatory environment that in some respects differs significantly from that of other countries. The trading price of the [REDACTED] could decline due to any of these risks, as well as additional risks and uncertainties not presently known to us, and you may lose all or part of your investment.

Our business and operations are subject to certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to the PRC; and (iv) risks relating to the [REDACTED].

RISKS RELATING TO OUR BUSINESS

Our business and prospects are dependent on the economic conditions in the PRC and are susceptible to adverse movements in the PRC real estate market, particularly in Yinchuan, Xining and various major cities in Northwest China and other cities we operate and intend to operate.

Our business and prospects depend on the performance of the PRC real estate market, particularly in various major cities in Northwest China. As of December 31, 2022, we had a total of 42 property development projects at various stages of development in the PRC, covering nine cities across China. Out of the 42 projects we have, 41 projects were located in Northwest China. Our profitability is correlated to the performance of the PRC real estate market, which is sensitive to economic fluctuations and is closely monitored by the PRC Government. Any adverse movements in the prices of supply of or demand for properties in the PRC, particularly in the cities where we have or plan to have property development projects, may adversely affect our results of operations, financial condition and business prospects. 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 developments may have an adverse impact on the ability of Chinese property developers, management companies and potential property purchasers to obtain financing, a decrease in consumer confidence and demand in China real estate and increased market volatility and resulting in the financial difficulties of the property developers which had business relationship with us. If any of our business partners experience any financial difficulties, our financial condition and results of operations may be negatively affected.

RISK FACTORS

In 2020, 2021 and 2022, substantially all of our revenue from sales of properties were derived from Northwest China. As of December 31, 2022, we had a total land bank of 6,626,987 sq.m., of which 6,481,296 sq.m., or 97.8%, were located in Northwest China. As we expect our property projects located in Northwest China will continue to contribute a substantial proportion of our revenue in the near future, our business, financial condition and results of operations may be particularly subject to the market uncertainties, volatility and significant adverse change in the real estate market of Northwest China.

The real estate market possesses the characteristic of cyclicity as a result of the fluctuation in national economy and global economy. For example, the real estate market in the PRC historically displayed cyclicity in terms of GFA of residential properties completed. There were drops in GFA of residential properties completed in 2018, 2020 and 2022 which coincided with the global economic recession, the macro-control policies adopted by the PRC Government with the aim of regulating overheated speculative real estate investment and increasing the supply of affordable residential properties, occurrences of pandemics and other factors. The real estate market may be affected by local, regional, national and global factors which are beyond our control, such as economics and financial development, speculative activities, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates, the availability of capital, natural disasters, epidemics and hostilities, among others. Although demand for residential and commercial properties in China grew rapidly in recent years, we cannot assure you that the real estate market in provinces and cities where we have undertaken, or will undertake, property development projects will continue to grow or that market downturns will not occur. The PRC Government has sought to stabilize the real estate market by promulgating various control measures. Such measures may affect property price level, market demand and supply and our business performance. Recently, the real estate market in the PRC has witnessed signs of a slowdown, with some developers reported to have lowered prices in order to stimulate sales and some local governments reported to have relaxed property purchase restrictions previously imposed as cooling measures to help boost demand. Any continuing adverse development and the ensuing decline in property sales or decrease in property prices in China may adversely affect our business and financial condition.

We may not be successful in managing our growth and expansion into new regions and cities.

In order to achieve sustainable growth, we need to continue to seek development opportunities in selected regions and cities in the PRC with growth potential, particularly provincial capital cities in Northwest and Southwest China, such as Xi'an in Shaanxi Province and Chengdu in Sichuan Province, respectively. As of December 31, 2022, we had established presence in nine cities in China with a total land bank attributable to us of 6,626,987 sq.m. We have expanded our business into Northwest China and plan to further increase our market shares in Northwest China.

Expanding into new geographical locations involves uncertainties and challenges, as we may not be familiar with local regulatory practices and customs, customer preferences and behavior, the reliability of local contractors and suppliers, business practices and business environments and municipal-planning policies in relevant sub-markets. In addition, expanding our business into new geographical locations would entail competition with developers who

RISK FACTORS

have more established local presence or greater access to local labor, expertise and knowledge than we do. Competitive pressures may compel us to reduce prices and increase our costs, thus lowering our profit margins. Furthermore, the construction, market and tax-related regulations in our target cities may be different from each other and we may face additional expenses or difficulties in complying with new procedural requirements and adapting to new environments. We may also be subject to higher land acquisition costs and longer acquisition time in certain regions and cities.

When we face new challenges, we may fail to recognize or properly assess risks or take full advantage of opportunities, or otherwise fail to adequately leverage our past experience to meet challenges encountered in these new markets. For example, we may have difficulty in accurately predicting market demand for our properties in the cities into which we expand. We may also have difficulty in promoting and maintaining high occupancy rates and/or rental rates of our investment properties in these new markets after these properties are completed and commence operations.

In addition, expanding into new regions and cities requires a significant amount of capital and management resources. We may not be able to manage the growth in our workforce to match the expansion of our business, and we, accordingly, experience issues such as capital constraints, construction delays, and lack of skillful and qualified personnel. Moreover, expanding our geographical reach will divert management attention from our existing operations. There is no assurance that we will be able to hire, train or retain sufficient talent to successfully implement our expansion plans.

We may not be able to identify desirable locations or acquire land use rights for future property development on favorable terms, or at all.

We believe our ability to identify desirable locations and acquire suitable land use rights at commercially reasonable prices is key to the sustainable growth of our business. We need to replenish our land reserves periodically in order to sustain our business growth. However, our success in carrying out these business operations may be subject to factors beyond our control. The PRC Government may promulgate laws and regulations that may effectively reduce the availability of new land suitable for development and hinder our ability to obtain land use rights, thereby intensifying our competition with other property developers, and, as a result, increasing our land acquisition costs.

Moreover, there is no assurance that we will be able to consistently leverage our knowledge of and experience in the PRC real estate market to identify desirable locations for property development. We may incur significant costs in identifying, evaluating and acquiring suitable land for development. To the extent that we are unable to obtain land use rights on favorable terms, or at all, we may fail to achieve expected returns on the sale and lease of our properties.

RISK FACTORS

Our business and prospects are dependent on and may be adversely affected by our non-wholly owned subsidiaries consolidated through voting right arrangements.

During the Track Record Period, we held no more than 50% of the equity interest in Zhongfang Vanke Industrial and Ningxia Zhongjin but we were able to consolidate them as subsidiaries into our Group by obtaining majority of the voting rights in those companies through voting right arrangements with our business partners. During the Track Record Period, out of the 14 project companies under voting right arrangements we entered into with our business partners, 11 of them recorded revenue, namely Ningxia Zhongjin, Ningxia Zhenghui, Ningxia Yuejia, Ningxia Wanpeng, Ningxia Wanjin, Xining Wancan, Xining Wanlan, Ningxia Wanyue, Ningxia Wanxian, Ningxia Wantang and Xining Ningcan. The aggregate revenue during the Track Record Period from these 11 project companies amounted to RMB1,209.4 million, RMB7,972.3 million, and RMB6,008.8 million in 2020, 2021 and 2022, respectively, accounting for 21.5%, 61.6% and 52.2%, respectively, of our total revenue during the respective period.

Since such voting right arrangements with our business partners were established through negotiation on the basis of business goodwill and mutual cooperation, we cannot assure you that we will be able to sustain such business relationship and all of our contractual obligations under such arrangements at all times. Conflicts and material disputes may arise between our business partners and us and there can be no assurance that we can maintain our current voting right arrangements with our existing business partners or that we will be able to successfully establish the same strategic relationships with new business partners in the future. Similarly, there can be no assurance that we can maintain our relationships with the new shareholders of our business partners or if they can continue to honor their contractual obligations under the voting right arrangements. In addition, under our typical voting right entrustment agreements, our business partner may demand in writing to terminate the agreement unilaterally if we are found to be in material violation of laws, rules and regulations, or that we have caused material harm or damage to the overall interests of the project companies.

Therefore, if our cooperation with our business partners in these projects deteriorates or terminates, our business, financial condition and results of operations might be materially and adversely affected. In particular, if any our business partners, such as Ningxia Yongning, experience any financial difficulties, our jointly developed projects and mutual cooperation may be materially and adversely affected. Furthermore, in the event that we cannot consolidate these project companies as our subsidiaries into our financial statements, our future consolidated financial performance, such as consolidated revenue and profit, may experience a significant decrease as compared to our historical financial performance during the Track Record Period, which may in turn materially affect the investment return to our Shareholders.

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

Property development is capital-intensive, with substantial capital investments during the land acquisition and construction period. During the Track Record Period, we funded our land acquisition and property development primarily through internal cash flows, including proceeds from the pre-sales of our properties, bank loans and other financing arrangements.

RISK FACTORS

However, we cannot assure you that our capital resources will be sufficient, or that we will be always able to obtain additional external financing on favorable terms, or at all. Our ability to obtain external financing may be subject to factors beyond our control, including, general economic conditions, changes to regulations, our financial performance and credit availability. In recent years, the PRC Government has taken a number of measures in the financial sector to further tighten lending requirements to property developers, which include:

- prohibit PRC commercial banks from extending loans to property developers to finance land premiums;
- prohibit PRC commercial banks from granting or extending revolving credit facilities to property developers that hold idle land;
- restrict PRC commercial banks from granting new property development loans to property developers that hold a large amount of vacant commodity properties;
- prohibit PRC commercial banks from taking commodity properties that have been vacant for more than three years as security for mortgage loans;
- prohibit PRC commercial banks and trust financing companies from granting loans to develop projects that fail to meet capital ratio requirements or lack the required government permits or certificates;
- tighten the grant of trust financing to property developers to control the scale and growth of real estate financing; and
- prohibit property developers from using borrowings obtained from any local banks to fund property developments outside that local region.

The PBOC regulates the reserve requirement ratio for commercial banks in the PRC, which affects the availability and cost of financing that we may obtain from them. On December 28, 2020, the PBOC and CBRC jointly issued the Notice on Establishing the 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 became effective on January 1, 2021. Pursuant to the notice, a PRC financial institution (excluding its overseas branches) is required to limit the amount of real estate loans and personal housing mortgage loans to a capped ratio of the total amount of RMB loans extended by such financial institution. The financial institution will have a transition period of two years or four years to comply with the requirements, subject to certain conditions. Pursuant to the notice, PBOC and CBRC will have the authority to take measures such as, among other things, imposing additional capital requirements on the financial institutions. On March 26, 2021, the General Office of CBIRC, the General Office of MOHURD and the General Office of PBOC jointly promulgated the Notice on Preventing the Illegal Flow of Business Loans into Real Estate Market (《關於防止經營用途貸款違規流入房地產領域的通知》), which requires the local counterparts of CBIRC, MOHURD and PBOC to strengthen supervisory inspection on the illegal flow of business loans

RISK FACTORS

into real estate market, enhance non-compliance complaint mechanism, and promptly share and jointly investigate clues on such violations. We cannot assure you that the PRC Government will not introduce additional measures that may restrict our access to capital resources and external financing. Failure to secure sufficient external financing on favorable terms, or at all, may hinder our ability to implement and complete our property development projects. In addition, if we were to be prohibited from increasing the aggregate size of interest-bearing liabilities, it may not be able to draw down on credit facilities before it repays existing debts, and may need to slow down its land acquisition activities to ensure it would have sufficient cash to complete the existing property projects.

Moreover, the PRC government has implemented a number of measures to manage money supply growth and credit availability. For example, according to the General Lending Provisions (《貸款通則》), a regulation promulgated by the PBOC in 1996, only financial institutions with the approval from the PBOC to provide loan services may legally engage in the business of extending loans and loans between companies that are not financial institutions with the approval from the PBOC to provide loan services are prohibited, which may not comply with the General Lending Provisions notwithstanding whether interests are charged or not. However, according to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) promulgated on December 29, 2020 and effective on January 1, 2021, lending contracts among companies are valid if extended for purpose of financing production or business operations except for the circumstances resulting in a void contract as stipulated in the Civil Code and in the Provisions. This kind of restriction might limit our potential opportunities to seek external financing.

In addition, the PRC Government has implemented restrictions on the ability of PRC property developers to obtain offshore financing which could affect our ability to deploy the funds raised outside of China in our business in the PRC. On May 23, 2007, and amended on October 28, 2015 the MOFCOM and the SAFE jointly promulgated the Notice on Further Strengthening and Regulating the Approval and Supervision of Foreign Direct Investment in the Real Estate Industry (《關於進一步加強、規範外商直接投資房地產審批和監管的通知》), which provides that foreign-invested real estate enterprises approved to be incorporated by the competent local authority shall promptly complete required filings with the MOFCOM. These regulations effectively restrict our ability to fund our PRC subsidiaries by way of shareholder loans. Pursuant to the Guidelines for Administration over Foreign Debt Registration (《外債登記管理操作指引》) promulgated by SAFE on April 28, 2013 and effective from May 13, 2013 and amended on May 4, 2015, real estate enterprises with foreign investment approved by local MOFCOM branches and filed with the MOFCOM after (and including) June 1, 2007 are not allowed to register foreign debt contracts with the SAFE or its local branches. Under the guidance, if the foreign-invested real estate enterprise does not obtain the land use right certificate, or the project capital for project development does not reach 35% of total amount of project investment, such enterprise shall not incur foreign debt and the SAFE or its local branches shall not register foreign debt contracts for such enterprise. According to the Circular of the General Office of the National Development and Reform Commission on Requirements for Record-filing for Issuance of Foreign Debts by Real Estate Enterprises 《國家發展改革委辦公廳關於對房地產企業發行外債申請備案登記有關要求的通

RISK FACTORS

知》(發改辦外資[2019]778號) promulgated by the NDRC and came into effect on July 9, 2019, foreign debts issued by real estate enterprises could only be used for repaying medium- and long-term offshore debts that will be due in the upcoming year.

Furthermore, equity contributions by us and our non-PRC subsidiaries to our PRC subsidiaries will require registration with industrial and commercial administration authorities as well as foreign exchange authorities, and submission of the investment information to competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system, which may take considerable time and delay the actual contribution to the PRC subsidiaries. This may adversely affect the financial condition of the PRC subsidiaries and may cause delays to the development undertaken by such PRC subsidiaries. In addition, our PRC subsidiaries which are foreign-invested enterprises shall register with the foreign exchange authorities after established, and shall undergo modification registration in case of any subsequent capital modification, such as capital increase or decrease or equity transfer. We cannot assure you that we have completed or will complete in a timely manner all relevant necessary registration for all our operating subsidiaries in the PRC to comply with this regulation. Moreover, we cannot assure you that the PRC Government will not introduce any new policies that further restrict our ability to deploy, or that prevent us from deploying, in China the funds raised outside of China. Therefore, we may not be able to use all or any of the capital that we may raise outside China to finance our projects in a timely manner, or at all.

The COVID-19 pandemic may adversely affect the PRC economy, the PRC real estate industry and our business operations.

Toward the end of 2019, a highly infectious novel coronavirus, was identified. The World Health Organization, or the WHO, later named it COVID-19. WHO is closely monitoring and evaluating the situation. On January 30, 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern, or the PHEIC. In March 2020, the WHO characterized the outbreak of COVID-19 a pandemic. Many countries have imposed unprecedented measures to halt the spread of the COVID-19 pandemic, including strict city lockdowns and travel bans. Several cities in China where we have land bank and operations had been under a lockdown, and have imposed travel restrictions in an effort to curb the spread of COVID-19 pandemic.

The supply chains in all industries had been disrupted to a certain extent by the COVID-19 pandemic due to the prolonged suspension of business operations in the PRC and the instability of workforce arising from the mandatory quarantine requirements. Our construction sites, sale offices and other workplaces may be forced to close as a result of infections.

In July 2021, multiple cities in China reported new locally transmitted Delta strain of the COVID-19 cases, which created new uncertainties. The case of the omicron COVID-19 variant in China was found in December 2021. In response, local governments in the affected areas such as Beijing, Shanghai and Shenzhen imposed various restrictions on business and social activities, including compulsory “work from home” policies, restrictions on travel, production

RISK FACTORS

activities and logistics, and other emergency quarantine measures. In late 2022, the PRC government has gradually lifted restrictions and quarantine measures in China due to the fact that the pandemic is being contained and the virus has become milder and less virulent.

There is still great uncertainty as to the future development of the COVID-19 pandemic, which may adversely affect the growth prospects of China’s property development industry. We are continuously evaluating the impact of the COVID-19 pandemic on our business, results of operations and financial condition, which we believe will depend on the duration of the pandemic and the government’s responsive measures. If the COVID-19 pandemic persists or escalates, our business, results of operations and financial condition may be negatively affected. See “Business—Effects of the COVID-19 Pandemic.”

We generated substantially all of our revenue from the sales of properties during the Track Record Period, and our results of operations may fluctuate due to factors such as the timing of our property sales and property delivery.

We generated substantially all of our revenue from the sales of properties during the Track Record Period. In 2020, 2021 and 2022, revenue from the sales of properties accounted for approximately 98.3%, 99.5% and 99.6%, respectively, of our total revenue during the same periods. Our results of operations may fluctuate due to factors such as the timing of our property sales and property delivery. We generally recognize revenue from the sales of our properties when or as the control of the asset is transferred to the customer. We would not be able to deliver the property to the customer or to recognize the related pre-sold proceeds as revenue until the completion certificate is issued. There is a time difference between pre-sales of projects under development and the completion of property construction. Because the timing of completion of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold, and the timing between our pre-sales, construction completion and the delivery of the properties to purchasers. Periods in which we pre-sell a large amount of aggregate GFA may not be the same periods in which we generate a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within the same period. The effect of timing of delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisition and construction costs.

Our operating results may fluctuate as a result of various factors, including fluctuations in expenses, such as land grant premiums, development costs, administrative expenses, selling and marketing expenses, and changes in market demand for our properties. In addition, recent negative news relating to certain Chinese property companies have had a significant effect on the property sector in China. Such developments may have an adverse impact on property sales in China and a decrease in consumer confidence and demand in China real estate and increased market volatility. As a result, our period-to-period comparisons of results of operations and cash flow positions may not be indicative of our future results of operations and may not be taken as meaningful measures of our financial performance for any specific period. In addition, the cyclical property market of the PRC affects the optimal timing for the acquisition of land,

RISK FACTORS

the planning of development and the sales of properties. This cyclical nature, together with the lead time required for the sales of properties and the completion of projects, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. Furthermore, our property development projects may be delayed or adversely affected by a combination of factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations.

We may be unsuccessful in implementing our business strategies.

We formulate our business strategies based on, our judgment of market conditions and regulatory environment. For example, we intend to actively expand into cities with high potential in Northwest China and further improve our product design and quality to enhance the competitiveness of our products and our brand image. See “Business—Our Strategies.” However, we are subject to uncertainties in relation to implementing our business strategies and achieving the expected economic results. We may be hindered by factors beyond our control, such as competitive pressures from peer companies, lack of qualified and experienced personnel, natural disasters, epidemics, pandemics, difficulties in obtaining the required permits, licenses and certificates, delays in construction and logistical difficulties. Failure to successfully implement our business strategies may weaken our competitiveness in the long term and materially and adversely affect our business, financial condition and results of operations.

Our sales contracts are subject to termination and variation under certain circumstances and are not a guarantee of our current or future contracted sales.

We have included information relating to our contracted sales in this document. Contracted sales refer to the total contractual value of formal sales contracts we entered into with purchasers of our properties. We compile contracted sales information through our internal records. As these sales and purchases contracts are subject to termination or variation under certain circumstances pursuant to their contractual terms or otherwise, or subject to default by the relevant purchasers, they are not a guarantee of current or future operating performance. Contracted sales information included in this document should in no event be treated as an indication of our revenue or profitability. Our subsequent revenue recognized from such contracted sales may be materially different from such contracted sales. Accordingly, contracted sales information contained in this document should not be unduly relied upon as a measure or indication of our current or future operating performance.

Our sales may vary from period to period, and such fluctuations make it difficult to predict our future performance.

We rely on the cash flow generated from pre-sales and sales of our properties to fund our operations. Our property sales, however, may fluctuate from period to period due to a combination of various factors, including but not limited to general market conditions of property market in China and in the cities we operate, national and local government and bank

RISK FACTORS

policies, the overall development schedules of our projects, sales plans of our projects, mix in geographic locations, property series, and product types that we launch pre-sales in a particular period, and the timing and size of GFA approved by governmental authorities for our pre-sales. We cannot assure you that the GFA sold or pre-sold and selling prices of our properties and accordingly, the recognized GFA and recognized ASP of our properties, respectively, will continue to increase in the future. Because the timing of delivery of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold and the timing of completion of the properties we sell. Should our selling prices or recognized ASP decrease due to the change in mix in geographic locations, property series and product types for a particular period in the future or reasons beyond our control, our cash position and sales revenue will be materially adversely affected, which may adversely affect our ability to service our indebtedness as well.

In addition, there is no assurance that our selling prices or recognized ASP, as a whole, will always be consistent with the industry trends in the cities we operate. Although historically the fluctuations of the selling prices or recognized ASP for our residential and commercial properties were generally in line with the industry trend in the cities we operate, our selling prices or recognized ASP, as a whole, might deviate from the industry trends as a result of the changes in mix of property series and product types we launch, sale and pre-sale in a particular period and the timing of the completion of properties, making it difficult to evaluate our historical performance and to predict future trends.

The total GFA of some of our property developments may be different from the original authorized total GFA.

Government grants of land use rights for a parcel of land specify in the land grant contract the permitted total GFA that the developer may develop on the land. In addition, the total GFA is also set out in the relevant urban planning approvals and construction permits. However, the actual GFA constructed may be different from the total GFA authorized in the land grant contract or the relevant urban planning approvals or the construction permits due to factors such as subsequent planning and design adjustments. The actual GFA may be subject to approval when the relevant authorities inspect the properties after completion. The developer may be required to pay additional land premium and/or administrative fines or take corrective actions in respect of the adjusted land use and excess GFA before a completion certificate can be issued to the property developer. Until the completion certificate is issued, we would not be able to deliver individual units to purchasers or to recognize the related pre-sale proceeds as revenue. The methodology for calculating the additional land premium is generally the same as that as set out in the original land grant contract. If excess GFA causes delays in the delivery of our products, we may also incur liability to purchasers under our sales and purchase contracts. There can be no assurance that the constructed total GFA for each of our existing projects under development or any future property developments will not exceed permitted total GFA. Any of these factors may adversely affect our business.

RISK FACTORS

We may fail to deliver our projects on time, on budget, or at all.

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

- natural disasters, adverse weather conditions, epidemics or pandemics;
- changes in market conditions, economic downturns and/or decline in customer interest;
- delays in obtaining requisite licenses, permits or approvals from relevant government authorities;
- changes in laws, rules, regulations and government policies;
- disputes with our joint venture partners;
- availability and cost of financing;
- increases in the prices of raw materials and labor costs;
- shortages of materials, equipment, contractors and skilled labor;
- latent soil or subsurface conditions and latent environmental damage requiring remediation;
- unforeseen engineering, design, environmental or geographic problems;
- labor disputes and strikes;
- construction accidents; and
- other unforeseen problems or circumstances.

Before we are affected by one or more of the above factors, we may have already expended significant capital resources with little or no prospect of recovering or mitigating our losses. Substantial capital expenditures are generally incurred for business operations with land acquisition and construction. It may take a long time for construction to generate positive net cash flow through pre-sales, sales and leases. Our customers may be entitled to claim compensation for late delivery or terminate pre-sale contracts. We may suffer material and adverse effects on our reputation and access to future business opportunities in the long term. We are also unable to guarantee that any legal proceedings or renegotiations resulting from delays or failures to deliver will have a favorable outcome. See “—We may be involved in legal and other proceedings arising out of our operations from time to time” below.

RISK FACTORS

We face risks related to the pre-sales of properties from any potential limitations or restrictions imposed by the PRC Government.

We make certain undertakings in our pre-sale contracts. These pre-sale contracts and the relevant PRC laws and regulations provide remedies for breach of these undertakings. For example, if we fail to complete a pre-sold property on time, we may be liable to the relevant purchasers for late delivery. If our delay extends beyond a specified period, the purchasers may terminate their pre-sale contracts and claim for damages. See “—We may fail to deliver our projects on time, on budget, or at all.” In addition, purchasers may also refuse to accept the delivery or even terminate the pre-sale contracts if the GFA of the relevant unit, as set out in the individual property ownership certificate, deviates by more than 3% from the GFA of that unit set out in the pre-sale contract. We cannot assure you that we will not experience any breach of undertakings, such as delays in the completion and delivery of our properties, or that the GFA for a delivered unit will not deviate more than 3% from the GFA set out in the relevant pre-sale contract. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

Under the applicable PRC laws, property developers must fulfill certain conditions before they can commence pre-sales of the relevant properties and the use and deposit of pre-sales proceeds are also restricted. If we fail to deposit certain of the pre-sales proceeds into the designated custodial accounts in accordance with the relevant PRC laws and any relevant local requirements, we may be subject to certain disciplinary measures, including suspending the allocation of supervisory funds, suspending the qualification of commercial housing online contracting for the project and recording it in the credit files of real estate development enterprises. According to the Notice of the MOHURD on Further Strengthening the Supervision of the Real Estate Market to Improve the Pre-sale System of Commodity Housing (《住房和城鄉建設部關於進一步加強房地產市場監管完善商品住房預售制度有關問題的通知》), the pre-sale proceeds of commercial housing shall be included in the supervision account, and the supervisory authority shall be responsible for the supervision and control to ensure that the pre-sale funds are used for the construction of commercial housing projects; the pre-sale funds may be appropriated according to the construction progress, but sufficient funds must be retained to ensure the completion and delivery of the construction projects. In 2020, 2021 and 2022, 17 projects were involved in the Pre-sale Proceeds Incident for failure to fully or directly deposit the required amounts of pre-sale proceeds into the designated escrow accounts in accordance with relevant regulatory requirements for a total amount of RMB2,999.4 million, RMB1,078.6 million and RMB274.2 million, respectively. See “Business—Our Property Development Management—Sales and Marketing—Pre-sales” and “Business—Legal Proceedings and Compliance—Non-compliance Incidents—Pre-sale Proceeds Incidents” for more details on our pre-sale activities and compliance with the relevant pre-sale laws and regulations during the Track Record Period. If we fail to comply with the relevant regulations and requirements, we may face fines which could have a material adverse effect on our financial condition and results of operations.

RISK FACTORS

On September 21, 2018, 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 cancellation of the pre-sale system of commodity residential properties. We cannot guarantee that the PRC Government will not adopt this recommendation or impose additional restrictions on pre-sales going forward. Under current PRC laws and regulations, we are required to fulfill certain conditions prior to commencing pre-sales. Additionally, we are also only able to use our proceeds to finance construction of properties to which individual pre-sales relate. In the event that the PRC Government imposes bans or further restrictions on the conduct of pre-sales, we may be forced to seek alternative sources of funding to finance our property development projects. Alternative sources of funding may not be available to us on favorable terms or at all, which could have a material adverse effect on our financial condition and results of operations.

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

The appraisal value of our properties as stated in Appendix III to this document was prepared by JLL based on multiple assumptions with subjective and uncertain elements. The assumptions, on which the appraised value of our properties and land reserves are 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. In addition, no allowance has been made for any charges, mortgages or amounts owing either on any of the property interests valued or for any expenses or taxation which may be incurred in effecting a sale.

The appraisal value of our properties should not be taken as their actual realizable value or a forecast of their actual realizable value. The value of our properties may be affected by unforeseen occurrences stalling the progress of our property development projects as well as national and local economic conditions. The value of our properties may stagnate or decrease if the market for comparable properties in China experiences a downturn. See “—Our business and prospects are dependent on the economic conditions in the PRC and are susceptible to adverse movements in the PRC real estate market, particularly in Yinchuan, Xining and various major cities in Northwest China and other cities we operate and intend to operate.” In the event that any of the assumptions prove false, and therefore lower the actual realizable value of our properties, our business, financial condition and results of operations may be materially and adversely affected.

We have indebtedness and may incur additional indebtedness in the future.

We maintained a substantial level of borrowings to finance our operations during the Track Record Period. As of December 31, 2020, 2021 and 2022, our total borrowings, comprising interest-bearing bank loans, lease liabilities and borrowings from other third party companies, amounted to RMB1,888.1 million, RMB2,398.1 million and RMB1,990.6 million, respectively. Our indebtedness and gearing level could have an adverse effect on us, for example, by (i) increasing our vulnerability to downturns of general economic or industry conditions; (ii) limiting our flexibility in planning for, or reacting to, changes in our business

RISK FACTORS

or the industry in which we operate; (iii) placing us at a competitive disadvantage compared to our competitors with lower levels of indebtedness; (iv) limiting our ability to borrow additional funds; and (v) increasing our cost of additional financing. In the future, we expect to incur additional indebtedness to complete our projects under development and projects held for future development and we may also utilize proceeds from additional debt financing to acquire land resources, which could intensify the risks we face as a result of our indebtedness.

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

We are subject to certain restrictive covenants in and risks associated with our bank borrowings and other borrowings.

We are subject to certain restrictive covenants under the terms of our bank borrowings and other borrowings, which may restrict or otherwise adversely affect our operations. These covenants may restrict, among others, our ability to incur additional debt or provide guarantees, create encumbrances, pay dividends or make distributions on one of our subsidiaries' capital stock, prepay certain indebtedness, reduce our registered capital, sell, transfer, lease or otherwise dispose of property or assets, alter the nature or scope of business operations in material respect, make investments and engage in mergers, consolidation or other change-in-control transactions. In addition, some of our borrowings may have restrictive covenants linked to our financial performance, such as maintaining a prescribed maximum debt-asset ratio during the term of the loans. Moreover, many of our bank and other borrowings are secured by equity interests in the relevant project subsidiaries, land use rights of the relevant land parcels or other assets. From time to time, we may enter into financing arrangements with asset management companies, where such company may have veto right over some of our above-mentioned corporate actions, which may further limit our flexibility in operation and ability to raise additional funding. See “Financial Information—Indebtedness.” If we incur default and cannot repay all of such indebtedness, we

RISK FACTORS

may lose part or all of our equity interests in these project subsidiaries, our proportionate share of the asset value of the relevant property projects, land use rights or our development projects. See “Financial Information—Indebtedness.” The occurrence of any of the above events may materially and adversely affect our business, financial condition and results of operations.

We guarantee the mortgage loans provided by financial institutions to our customers and, consequently, we will be liable to the mortgagees if our customers default on their mortgage payments.

Our customers may apply for mortgage loans to purchase our properties. As consistent with market practice, we guarantee these mortgages for a period until the purchasers of our properties obtain the relevant “strata-title building ownership certificate (分戶產權證)” and “mortgage registration certificate (抵押登記證書)” registered in favor of the bank. These are contingent liabilities not reflected on our balance sheets. In the event that a customer defaults on the mortgage payment, the mortgage bank may deduct the payment due from the deposited sum and demand our immediate payment of the outstanding balance. Once we have satisfied our obligations under the guarantee, the bank would then assign its rights under the mortgage to us and we would have full recourse to the property. During the Track Record Period, we did not receive any demand from mortgage bank for payment due to customer default on mortgages for which we provide guarantees.

As we generally rely on credit assessments on our customers conducted by banks in making our guarantees, we cannot assure you that such assessments are sufficient. There can also be no assurance that we will be able to estimate and make appropriate provision for defaults. Furthermore, any significant decline of the economic condition of the PRC or local markets in which we operate may lead to lowered income of our customers and, subsequently, an increased risk of default on loans. As of December 31, 2022, our outstanding guarantees in respect of the mortgages of our customers amounted to RMB3,655.0 million. In the event that significant amounts of guarantee payment obligations arise at a time, our business, financial condition and results of operations may be materially and adversely affected, especially if the market value of our properties depreciates substantially or the prevailing conditions prevent us from reselling our properties on favorable terms.

We may be subject to fines or forfeit land to the PRC Government if we fail to pay land grant premiums or fail to develop properties within the time and in accordance with the terms set out in the relevant land grant contracts.

Under PRC laws, if we fail to develop a property project according to the terms of the land grant contract, including those relating to the designated use of the land and the time for commencement and completion of the property development, government authorities may issue a warning, impose a penalty and/or order us to forfeit the land. Specifically, under current PRC laws, if we fail to pay any outstanding land grant premium by the stipulated deadlines, we may be subject to late payment penalties or the repossession of the land by the PRC Government. If we fail to commence development after one year of the commencement date stipulated in the land grant contract, the relevant PRC land bureau may issue a warning to us and impose an idle land fee equivalent to 20% of the land premium. If we fail to commence development within two years from the commencement date stipulated in the land grant

RISK FACTORS

contract, the relevant PRC land bureau may confiscate our land use rights without compensation, except where the delay in the development is attributable to a force majeure event or the action of the relevant government department or delay in the requisite preliminary work preceding commencement of such development. Moreover, had a property developer commenced development of the property in accordance with the timeframe stipulated in the land grant contract, however, if such development was suspended for more than one year without government approval and falls under either of the following two situations: (i) the developed land area is less than one-third of the total land area, or (ii) the total invested capital is less than one-fourth of the total planned investment in the project, then the land may be treated as idle land and will be subject to the risk of forfeiture. We cannot assure you that we will not experience any significant delays in commencement or completion of our projects in the future or that we will not be subject to any liabilities for any such delays.

In September 2007, the Ministry of Land and Resources issued a new notice to further enhance control of the land supply by requiring developers to develop land according to the terms of the land grant contracts and restricting or prohibiting any non-compliant developers from participating in future land auctions. In January 2008, the State Council issued a Notice of the State Council on Promoting Land Saving and Efficient Use (《國務院關於促進節約集約用地的通知》) to escalate the enforcement of existing rules on idle land management. Furthermore, the Ministry of Land and Resources issued a Notice on Restricting the Administration of Construction Land and Promoting the Use of Approved Land (《關於嚴格建設用地管理促進批而未用土地利用的通知》) in August 2009, which reiterated the applicable rules with regard to idle land management. On June 1, 2012, the Ministry of Land and Resources promulgated the revised Measures on the Disposal of Idle Land (《閒置土地處置辦法》), which went into effect on July 1, 2012. These further measures may prevent competent land authorities from accepting any application for new land use rights or processing any title transfer transaction, lease transaction, mortgage transaction or land registration application with respect to idle land prior to the completion of the required rectification procedures.

We cannot assure you that circumstances leading to the repossession of land or delays in the completion of a property development will not arise in the future. If our land is repossessed, we will not be able to continue our property development on the forfeited land, recover the costs incurred for the initial acquisition of the repossessed land or recover development costs 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 use rights 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 investments in the land, which could materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

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

Changes in interest rates generally affect our customers’ mortgage rates and our financing costs. Subsequent to the financial crisis, the PBOC had adjusted the benchmark one-year bank lending rate several times since 2008. The PBOC may adjust benchmark interest rates upward. Any hike in benchmark interest rates is likely to increase our customers’ mortgage rates and our financing costs. Increases in mortgage rates may negatively affect growth in the real estate market, while increases in our financing costs may materially and adversely affect our results of operations.

Our results of operations have been affected, and will continue to be affected, by the performance of our associates. We may not be able to realize the anticipated economic and other benefits from our associates.

We have established associates with other property developers to develop property projects and may continue to do so in the future. As of December 31, 2022, we had five projects developed by our associates. The performance of our associates has affected, and will continue to affect, our results of operations and financial position. Generally, we do not expect to record gains from such associates until they start to generate revenue by delivering properties they develop. Our share of losses of associates in 2020, 2021 and 2022 was RMB5.2 million, RMB8.1 million and RMB12.9 million, respectively.

The success of an associate depends on a number of factors, which might be beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from our associates. In addition, in accordance with PRC law, the agreements and the articles of association of our associates, certain matters relating to associates require the consent of all parties to the associates. Therefore, such business cooperation agreements involve a number of risks, including that:

- we may not be able to pass certain important board resolutions requiring unanimous consent of all of the directors of our project companies if there is a disagreement between us and our partners;
- we may disagree with our partners in connection with the scope or performance of our respective obligations under the business cooperation agreements;
- our partners may be unable or unwilling to perform their obligations under the business cooperation agreements with us, including their obligations to make required capital contributions and shareholder loans, whether as a result of financial difficulties or other reasons;
- our partners may have economic or business interests or goals and philosophies inconsistent with ours;

RISK FACTORS

- our partners may take actions contrary to our requests, instructions, policies or objectives with respect to our property investments; or
- our partners may face financial or other difficulties affecting their ability to perform their obligations under the relevant business cooperation agreements with us. For example, a non-controlling shareholder, with a registered capital of RMB10 million, has non-controlling interest in one of our associates. This associate has been developing a project in Yinchuan. We may be subject to risks associated with such business partner who may have an indicator of financial difficulties.

In addition, since we do not have full control over the business and operations of our associates, we cannot assure that they have been, or will be in strict compliance with all applicable PRC laws and regulations. We cannot assure you that we will not encounter problems with respect to our associates or our associates will not violate applicable PRC laws and regulations, which may have an adverse effect on our business, results of operations and financial condition.

Our investments in associates and property projects are subject to liquidity risk.

Our investments in associates and property projects are subject to liquidity risk. Our investments in associates and property projects are not as liquid as other investments as there is no cash flow until such associates and/or property projects generate revenue from pre-sales or obtain financing arrangements. Furthermore, our ability to promptly sell our interests in the associates and property projects in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests in the associates and property projects for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquidity nature of our investments in associates and property projects may significantly limit our ability to respond to adverse changes in the performance of our associates.

Our operations are dependent on a limited number of major suppliers.

Our suppliers are mainly construction contractors, decoration and landscaping contractors, materials and equipment suppliers. During the Track Record Period, we were dependent on a limited number of major suppliers to operate our businesses. All of our five largest suppliers during the Track Record Period were construction contractors. In 2020, 2021 and 2022, purchases from our five largest suppliers accounted for approximately 32.3%, 29.5% and 25.9% of our total purchases, respectively. Purchases from our single largest supplier in 2020, 2021 and 2022 accounted for approximately 8.7%, 10.1% and 8.4% of our total purchases, respectively. See “Business—Suppliers and Customers—Suppliers.” If our current major suppliers decide to terminate business relationships with us or if the services, equipment or materials supplied by our current suppliers fail to meet our standards, or if our current services, equipment or raw material supplies are interrupted for any reason, we may not be able to easily switch to other qualified suppliers in a timely fashion or at all. In such events, our business, financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

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

We engage third-party contractors to carry out various services relating to our property development projects. We may select third-party contractors through a tender process or a direct engagement, and we endeavor to engage companies with strong reputation and track record, high performance reliability and adequate financial resources. Our third-party contractors may fail to provide satisfactory services or within the time required by us. In addition, completion of our property developments may be delayed, and we may incur additional costs, due to the financial or other difficulties of our contractors. If the performance of any third-party contractor is unsatisfactory, we may need to replace such contractor or take other remedial actions, which could increase the costs and adversely affect the development schedules of our projects and materially and adversely affect our reputation, credibility, financial condition and business operations. Moreover, we cannot assure you that our employees will be able to consistently apply our quality standards in carrying out quality control, or will be able to detect all defects in the services rendered by third-party service providers or contractors. Furthermore, if our relationship with any of the third-party service providers or contractors deteriorates, a serious dispute with such third-party service provider or contractor may arise, which may in turn lead to legal proceedings. The occurrence of any of the above events may have a material adverse effect on our business, financial condition, results of operations and prospects.

Fluctuations in the price of construction materials and our construction contractors' labor costs could affect our business and financial performance.

The cost of construction materials such as steel and cement, as well as contractors' labor costs, are subject to a high degree of volatility. The risk of fluctuations in construction material and labor costs during the terms of the contracts are absorbed by our construction contractors to a large extent, as they are responsible for purchasing most of the construction materials and bear relevant labor costs during the terms of the relevant contracts pursuant to the relevant contracts. However, our contracts entered with construction companies contain price adjustment mechanisms, pursuant to which contract prices would be adjusted if market prices of related materials fluctuate beyond a pre-determined range. In addition, if there is any significant increase in the cost of construction materials and labor costs, our construction contractors may require us to renegotiate construction fees. 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 after the pre-sales. If any of these occur, our business, financial condition and results of operations may be adversely affected. Any increase in the cost of construction materials may lead to future increases in construction contract costs. Construction material costs experienced periods of fluctuation during the Track Record Period. Any increase in the cost of any major construction materials will adversely affect our overall construction costs, which is generally one of the key components of our cost of sales. If we cannot pass any or all of the additional costs on to our customers, our profitability will be adversely affected.

RISK FACTORS

The illiquidity of investment properties and the lack of alternative uses of investment properties may significantly limit our ability to respond to adverse changes in the performance of our investment properties.

Because property investments in general are relatively illiquid, our ability to promptly sell one or more of our investment properties in response to changing economic, financial and investment conditions is limited. The property market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our investment properties for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed for pre-sale and to complete the sales of a property. Moreover, we may also need to incur capital expenditure to manage and maintain our properties or to correct defects or make improvements to these properties before selling them. We cannot assure you that financing for such expenditures would be available when needed, or at all.

Furthermore, the aging of investment properties, changes in economic and financial condition or changes in the competitive landscape in the PRC property market may adversely affect the number of rentals and amount of revenue we generate from, as well as the fair value of, our investment properties. However, investment properties may not be readily converted to alternative uses, as such conversion requires extensive governmental approvals in the PRC and involves substantial capital expenditures for the purpose of renovation, reconfiguration and refurbishment. We cannot assure you that we will possess the necessary approvals and sufficient funds to carry out the required conversion. These factors and any others that would impede our ability to respond to adverse changes in the performance of our investment properties could affect our ability to compete against our competitors and our results of operations.

The fair value of our investment properties is likely to fluctuate from time to time and such fluctuations make it difficult to predict our future performance.

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under IFRSs, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of comprehensive income for the period in which they arise. Our investment properties were valued by JLL, an independent property valuer, as of December 31, 2020, 2021 and 2022, on an open market and existing use basis, which reflected market conditions on the respective dates. Based on such valuation, we recognized the aggregate fair value of our investment properties and relevant deferred tax on our consolidated statements of financial position and increases in fair value of investment properties and movements of the relevant deferred tax on our consolidated statement of comprehensive income. In 2020, 2021 and 2022, our fair value gains on investment properties were nil, nil and RMB1.3 million, respectively.

RISK FACTORS

Fair value gains would not change our cash position as long as the relevant investment properties are held by us and thus would not increase our liquidity in spite of the increase in profit. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. As a result, we cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties or that the fair value of our investment properties will not decrease in the future. Such investment properties are measured at fair value with material unobservable inputs used in the valuation techniques. Accordingly, the valuation techniques adopted by the valuer involve uncertainties relating to the use of unobservable inputs. In addition, the fair value of our investment properties may materially differ from the amounts we would receive in actual sales of the investment properties. Any significant decreases in the fair value of our investment properties or any significant decreases in the amount we receive in actual sales of the investment properties as compared with the recorded fair value of such properties would materially and adversely affect our results of operations.

We may not be able to continue to attract and retain quality tenants for our investment properties.

Historically, we derived a small portion of revenue from property leasing. As we seek to selectively increase our portfolio of investment properties by adding investment properties with appreciation potential, revenue from property leasing may become an increasingly important contributor to our revenue in the future. However, we are subject to risks incidental to the ownership and leasing of investment properties, including volatility in market rental rates and occupancy levels, competition for tenants, costs resulting from ongoing maintenance and repair and inability to collect rent from tenants or renew leases with tenants due to bankruptcy, insolvency, financial difficulties or other reasons. We may not be able to identify new tenants or retain existing tenants for our commercial properties. In addition, an increase in the number of competing properties, particularly in close proximity to our properties, could increase competition for tenants and force us to reduce rent or incur additional costs in order to market our properties. If there is a significant downturn in the commercial property markets or in the cities where we have investment properties, we may not be able to maintain our current levels of revenue from the investment in and operations of commercial properties. Our inability to expand our portfolio of investment properties, to secure suitable tenants or otherwise to enhance the profitability of our investment properties or to maintain our current levels of rental income may have an adverse effect on our profitability and results of operations. All these factors could negatively affect the demand for our investment properties, and, as a result, reduce our rental income, which may have an adverse effect on our business, financial condition and results of operations.

Our results of operations, financial condition and prospects may be adversely affected by fair value changes in our financial assets at fair value through profit or loss.

Our financial assets at fair value through profit or loss were primarily wealth management products issued by banks in Mainland China that are mandatory classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As of December 31, 2020, 2021 and 2022, financial assets at fair value

RISK FACTORS

through profit or loss was nil, RMB41.5 million and RMB1.5 million, respectively. We recorded investment income from financial assets at fair value through profit or loss of RMB35.5 million, RMB35.9 million, and RMB3.2 million in 2020, 2021 and 2022, respectively. See “Financial Information—Description of Certain Consolidated Statements of Profit or Loss Items.” We may continue to incur fair value losses in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

There are uncertainties about the recoverability of our amounts due from related companies, the payment of amounts due from non-controlling shareholders of the subsidiaries and cooperative operation receivables.

We had amounts due from related companies of RMB125.2 million, RMB594.0 million and RMB1,125.3 million as of December 31, 2020, 2021 and 2022, respectively. We also had amounts due from non-controlling shareholders in the amount of RMB139.3 million, RMB555.5 million and RMB879.5 million as of the same dates, respectively. In addition, we had cooperative operation receivables in the amount of RMB1,006.0 million, RMB377.2 million and RMB631.8 million as of the same dates, respectively. Amounts due from related parties primarily represent cash advances to associates for the development of the relevant projects which are unsecured and will be settled upon completion of the relevant projects. Amounts due from non-controlling shareholders consist of unearned profit distribution made from our non-wholly owned subsidiaries to non-controlling shareholders from time to time before the final settlement and completion of our projects developed by such non-wholly owned subsidiaries, as well as registered capital to be contributed to our non-wholly owned subsidiaries. Cooperative operation receivables represent short term working capital due from a shareholder of Zhongfang Vanke Industrial. See “Financial Information—Related Party Transactions—Balances with Related Parties” and “Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Prepayments, Other Receivables and Other Assets.” We conduct assessments on the recoverability of amounts due from related parties, as well as the unearned profit distribution made from our non-wholly owned subsidiaries to non-controlling shareholders based on, among others, our historical settlement records, past experiences, payment terms, current economic trends and to a certain extent, the larger economic and regulatory environment in which our related parties or the non-controlling shareholders of the subsidiaries operate, which involve the use of various judgments, assumptions and estimates by our management. However, there is no assurance that our expectations or estimates will be entirely accurate for the future, as we are not in control of all the underlying factors affecting the amounts due from related parties, the unearned profit distribution made from our non-wholly owned subsidiaries to non-controlling shareholders, as well as the cooperative operation receivables. Accordingly, there are uncertainties about the recoverability of our amounts due from related parties, the recoverability of unearned profit distribution made from our non-wholly owned subsidiaries to non-controlling shareholders and the recoverability of our cooperative operation receivables. Meanwhile, although our subsidiary’s registered capital due from non-controlling shareholders only need to be paid according to the relevant deadline as set out in the articles of association of the relevant subsidiary, we cannot assure you that such amount will be paid pursuant to such schedule.

RISK FACTORS

Therefore, if we are not able to recover the amounts due from related parties or unearned profit distribution made from our non-wholly owned subsidiaries to non-controlling shareholders, if the amounts due from non-controlling shareholders of the subsidiaries are not paid pursuant to the relevant schedule, or if we are not able to collect the cooperative operation receivables, our financial position and results of operations may be adversely affected.

There are uncertainties about the recoverability of our prepayments for acquisition of land use rights, prepaid taxes and other tax recoverables and other prepayments.

There are uncertainties about the recoverability of our prepayments for acquisition of land use rights, prepaid taxes and other tax recoverables and prepayments for equity investments. Prepayments for acquisition of land use rights represent the land premium deposits we paid for land parcels acquired through public tenders, auctions and listing-for-sale. We recorded such land premium deposits as prepayments before we obtained land use right certificates for the respective land parcels. We had prepayments for acquisition of land use rights of RMB1,354.5 million, RMB50.0 million and RMB392.8 million as of December 31, 2020, 2021 and 2022, respectively. Prepaid taxes and other tax recoverables primarily represent prepaid turnover tax and other surcharges. We had prepaid taxes and other tax recoverables of RMB771.8 million, RMB953.1 million and RMB1,017.5 million as of December 31, 2020, 2021 and 2022, respectively. See “Financial Information—Descriptions of Certain Consolidated Statements of Financial Position Items—Prepayments, Other Receivables and Other Assets.” Other prepayments mainly represents cash advances we made to the Independent Third Parties for our participation in certain potential property projects in Shenzhen. We recorded prepayments of RMB888.0 million, nil and nil as of December 31, 2020, 2021 and 2022. As of the Latest Practicable Date, all prepayments we made had been returned and there was no prepayment outstanding. See “Financial Information—Descriptions of Certain Consolidated Statements of Financial Position Items—Prepayments, Other Receivables and Other Assets.” There is no guarantee that we will be able to proceed with our planned acquisitions, or that we would be able to recoup the prepayments under relevant equity acquisition agreements.

We conduct assessments on the recoverability of prepayments for acquisition of land use rights, prepaid taxes and other prepayments based on, among others, our historical settlement records, our relationship with relevant counterparties, payment terms, current economic trends and to a certain extent, the larger economic and regulatory environment, which involve the use of various judgments, assumptions and estimates by our management. However, there is no assurance that our expectations or estimates will be entirely accurate for the future, as we are not in control of all the underlying factors affecting such prepayments. Accordingly, there are uncertainties about the recoverability of our prepayments for acquisition of land use rights, prepaid taxes and other tax recoverables and prepayments for equity investments. Therefore, if we are not able to recover the prepayments for acquisition of land use rights, prepaid taxes and other tax recoverables and prepayments for equity investments, our financial position and results of operations may be adversely affected.

RISK FACTORS

We had negative net operating cash flows during the Track Record Period.

We recorded net cash outflow from operating activities of RMB932.9 million in 2020 due to an increase in properties under development and RMB2,014.7 million in 2021 due to (i) a significant portion of our revenue recognized in 2021 was from properties pre-sold in earlier periods, (ii) we further increased our properties under development as a result of our business expansion, and (iii) a decrease of our contract liabilities in 2021. See “Financial Information—Liquidity and Capital Resources—Cash Flow.” Although we seek to effectively manage our working capital, we cannot assure you that we will not experience negative net cash flows from our operating activities in the future. 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. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade payables and repay our 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 or incur additional costs to obtain necessary financing, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

Net changes in fair value of financial liabilities and investments in property projects are subject to uncertainties of accounting estimates in the fair value measurement and significant unobservable inputs used in the valuation.

Financial liabilities at fair value through profit or loss arise from our business partner under cooperation arrangement and our financial partners under trust financing arrangement. As of December 31, 2020, 2021 and 2022, we recorded financial liabilities at fair value through profit or loss of RMB203.8 million, RMB255.9 million and RMB273.5 million, respectively. Please see “Financial Information—Description of Certain Consolidated Statements of Financial Position Items—Financial Liabilities at Fair Value Through Profit or Loss” for details.

Change in fair value of investments in property projects arise from the fair value of our investments in two property projects. In 2020 and 2022, we had gains in fair value of investments in property projects of RMB71.0 million and RMB3.4 million. In 2021, we had losses of fair value of investments in property projects of RMB23.6 million. Please see “Financial Information—Description of Certain Consolidated Statements of Profit or Loss Items—Other Income and Gains” for details.

Such financial liabilities and investments in property projects are measured at fair value with significant unobservable inputs used in the valuation and the changes in their fair value are reflected in our consolidated statements of profit or loss and consolidated statements of financial position, therefore directly affecting our results of operations. There is no assurance that changes for unobservable inputs will not lead to fair value losses in the future, and hence our results of operations, financial condition and prospects may be adversely affected.

RISK FACTORS

There are uncertainties about the recoverability of our deposits for land auction.

Deposits for land auction represent the tender deposits prepaid for bidding of land use rights. In general, if our proposed tender is unsuccessful, the deposit will be returned to us in full. If our proposed tender is successful, the deposit will become pre-paid land costs. If we voluntarily turn down the deal to acquire the land use rights after our proposed tender is successful, the deposits for land auction will not be returned to us. As of December 31, 2020, 2021 and 2022, we recorded deposits for land auction of RMB2,221.4 million, RMB2,815.8 million and RMB1,760.0 million, respectively. Although we have not failed to recover any of our deposits for land auctions in the past, we cannot assure you that we will always be able to recover the deposits paid for land auction in the future, which may in turn materially and adversely affect our business, results of operation and financial condition.

We incur contract liabilities from the pre-sales of properties and may not be able to settle such contract liabilities if we cannot complete and deliver the relevant projects.

Consistent with industry practice, we typically enter into pre-sales contracts with customers while the properties are still under development have satisfied the conditions for pre-sales in accordance with PRC laws and regulations. Such conditions for pre-sales generally include (i) the land premium for the relevant property project has been paid in full and the relevant land use rights certificate has been obtained; (ii) the relevant construction work planning permit and construction work commencement permit have been obtained; and (iii) the amount of funds used for construction accounts for at least 25% of the total investment of the property project, and the construction progress and the delivery date of properties have been determined. Then the property developer shall apply for a pre-sale permit by submitting supporting documents indicating the fulfilment of the above-mentioned requirements, and commence pre-sales upon receipt of the pre-sale permit. In general, there is a time difference between the time we commence the pre-sales of properties under development and the completion of the construction of such properties. We do not recognize any revenue from the pre-sales of the properties until such properties are completed and delivered to the customers. Proceeds from customers of pre-sold properties are recorded as “contract liabilities” under current liabilities before relevant revenue is recognized. Our contract liabilities amounted to RMB19,685.3 million, RMB18,792.6 million and RMB17,813.0 million as of December 31, 2020, 2021 and 2022, respectively. If we cannot complete and deliver our projects, we will not be able to recognize revenue and therefore cannot settle our contract liabilities. However, the completion and delivery of projects may be delayed due to various reasons, such as delays in obtaining requisite licenses, permits or approvals from relevant government authorities, increases in the prices of raw materials and labor costs, unavailability and increased cost of financing. If we encounter delays in the completion and delivery of our projects, or even cannot complete and deliver our projects, we may not settle our contract liabilities and our business, prospects and financial condition may be materially and adversely affected.

RISK FACTORS

We may be subject to fines due to the absence of registration of some of our leases.

Pursuant to relevant PRC regulations, parties to a lease agreement are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, we leased eight properties from third-party landlords mainly for our office premises and failed to register six lease agreements under which we are tenant. The failure to register the lease agreements does not affect the validity of the 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 may be 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 imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which could adversely affect our business, financial condition and results of operations. The registration of these lease agreements to which we are a party requires additional steps to be taken by the respective other parties to the lease agreement which are beyond our control. We cannot assure you that the other parties to our lease agreements will be cooperative or that we can complete the registration of these lease agreements and any other lease agreements that we may enter into in the future. See “Business—Leased Properties.”

We may be subject to fines or penalties if we fail to comply with any applicable laws, rules or regulations.

We are subject to a variety of laws, rules and regulations with respect to various aspects of our operations. We may be subject to fines or penalties if we fail to comply with applicable laws, rules and regulations. For example, during the Track Record Period, we commenced construction work for four projects before obtaining the requisite construction permit. We were subject to penalties or ordered to rectify such non-compliances, as the case may be. An aggregate monetary penalty of approximately RMB0.3 million was imposed on us for such incidents which had been paid in full as of the Latest Practicable Date. There is no assurance that our internal control measures adopted to prevent the occurrence of any non-compliance incidents in the future will be effective or that there will be no non-compliance incidents in the future. In addition, PRC laws, rules or regulations governing our industry have been evolving rapidly, and we cannot assure you that we will not be subject to fines or penalties arising from non-compliance incidents if we fail to adapt to the new regulatory regime in a timely manner, or at all, which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to housing price control measures, which may restrict the selling prices of the properties developed by us and lead to lower profit margins for the respective projects.

We are subject to housing price control measures that may be promulgated and implemented by government authorities from time to time. For example, on February 26, 2013, the General Office of the State Council announced the Notice on Further Regulation of the Real

RISK FACTORS

Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》). According to such notice, local governments shall increase the supply of housing properties and land, and set price control targets in cities with rapidly increasing property prices. In addition, the notice also requires the local governments to strictly implement existing purchase restrictions and differentiated credit policies with regard to the down payment ratios and interest rates for mortgage loans where a purchaser has more than one mortgage loan for properties. The tax, building and construction authorities are required to coordinate to ensure that the 20% individual income tax on the difference between the sales proceeds and the original purchase price for the sales of second-hand properties is strictly implemented. On September 29, 2020, Municipal Government of Yinchuan announced the Notice on Promoting the Health and Steady Development of the Real Estate Market (《關於促進房地產市場平穩健康發展的通知》), which imposes certain restrictions on the sale of the properties and housing price. These policies aim to restrain the rapid increase in housing prices.

Such price control measures may restrict the selling prices of the properties developed by us, leading to lower profits and profit margins for the respective projects. As such price control measures may be implemented after we acquire the land parcels and before the commencement of pre-sales, we may have incurred relatively high land acquisition costs and construction costs, but are unable to sell these properties at favorable prices due to the price control measures. As a result, we may not be able to realize the profits as we expected and our results of operations, financial condition and prospects may be adversely affected.

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

We recorded deferred tax assets of RMB915.6 million, RMB970.8 million and RMB988.5 million, respectively, as of December 31, 2020, 2021 and 2022. Deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there is no assurance that our expectation of future earnings will be accurate due to factors beyond our control, such as general economic conditions and negative development of the regulatory environment, in which case, we may not be able to recover our deferred tax assets, which thereby could have an adverse effect on our results of operations.

The LAT calculated by the relevant PRC tax authorities may be different from our calculation of LAT liabilities for provision purposes.

Pursuant to PRC regulations on LAT, both domestic and foreign investors in real estate development in the PRC are subject to LAT on income from the sale or transfer of land use rights, properties and their attached facilities, at progressive rates ranging from 30% to 60% on the appreciation of land value. In 2020, 2021 and 2022, we recorded LAT expenses of RMB309.5 million, RMB653.8 million and RMB409.8 million, respectively, in our consolidated statements of income. In accordance with a circular issued by the SAT, which became effective on February 1, 2007, LAT obligations are required to be settled with the relevant tax bureaus within a specified time after the completion of a property development

RISK FACTORS

project. We make provision for the estimated full amount of applicable LAT in accordance with relevant PRC tax laws and regulations. Our estimates are based on our own apportionment of deductible expenses, which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT.

As of the Latest Practicable Date, we had made all prepayments and/or full provisions for LAT in compliance with the relevant LAT laws and regulations in China as interpreted and enforced by the relevant local tax authorities. LAT liabilities are subject to determination by the tax authorities upon the completion of the property development projects and may be different from the amounts that were initially provided for. Any such differences may impact our profit after tax and deferred tax provision in the periods in which such taxes are finalized with the relevant tax authorities. Our financial condition may be adversely and materially affected if our LAT liabilities as calculated by the relevant tax authorities are higher than our provisions. 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 in future. 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 our ability to execute our business plans.

Potential liability for health and environmental problems could result in costs.

We are subject to a variety of laws and regulations concerning the protection of health and the environment. As required by PRC laws and regulations, property projects in environmentally sensitive regions are required to submit an environmental impact statement before the relevant authorities grant approval for the commencement of construction of the property development. If we fail to meet such requirements, local authorities may issue orders to stop construction and, based on the circumstances of the violation and the consequences thereof, impose on us a fine of between 1%-5% of the total investment amount of the project, and may also issue orders to restore the original conditions before the construction, and the persons directly in charge and other directly responsible persons of us shall be subject to administrative sanctions under the law. After the completion of construction, we are required to make an acceptance check of the environmental protection facilities and prepare an acceptance report according to the standards and procedures stipulated by the competent administrative department of environmental protection under the State Council. When making an acceptance check of environmental protection facilities, we are required not to commit fraud. We are also required to make the acceptance report publicly available in accordance with the law unless we are required to keep confidential according to national provisions. If we cannot make an acceptance check of environmental protection facilities in due course, the development of our projects may be delayed. As environmental awareness grows in China, we anticipate that the PRC Government will continue to promulgate increasingly stringent environmental laws and regulations. We anticipate that these developments will increase our project development costs in general.

RISK FACTORS

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

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

We may be involved in legal and other proceedings arising out of our operations from time to time.

We may be involved in claims, legal proceedings and other disputes with various parties involved in the development and sales of our properties, including contractors, suppliers, regulatory bodies, customers and business partners. These disputes may lead to protests or legal or other proceedings and may result in damage to our reputation, substantial costs and diversion of resources and management’s attention from our core business activities. Purchasers of our properties may take legal action against us if our developed properties are perceived to be inconsistent with our representations and warranties made to such purchasers. In addition, we may have compliance issues with regulatory bodies in the course of our operations, in respect of which we may face administrative proceedings and unfavorable decisions that may result in liabilities and cause delays to our property developments. We may be involved in other proceedings or disputes in the future that may have a material adverse effect on our business, financial condition and results of operations.

Any damage to our brand image and our intellectual property rights could adversely affect our brand value and our business.

We in general rely on our brand name, “Ningxia Zhongfang (寧夏中房) 中房”, in marketing our properties. Brand value is based largely on subjective public perception and can be damaged by isolated incidents. Any negative incident or negative publicity concerning us or our business could adversely affect our reputation and business. Our brand value and consumer

RISK FACTORS

demand for our properties could decline significantly if we fail to maintain the quality of our properties, offer consistently negative experience to our customers, or are perceived to have acted in an unethical or socially irresponsible manner.

Further, we may be subject to or associated with negative publicity, including on the Internet, with respect to our corporate affairs and conduct related to our personnel or the real estate market in which we operate or intend to operate. We may also be subject to negative reports or criticisms by various media. 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 brand and reputation and, consequently, may undermine the confidence of our customers and investors in us, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, our efforts to protect our brand name may not be adequate, and we may be unable to identify any unauthorized use of our brand name or to take appropriate steps to enforce our rights on a timely basis. Any unauthorized use or infringement of our brand name may impair our brand value, damage our reputation and materially and adversely affect our business and results of operations. Third parties may use our intellectual property in ways that damage our reputation in the real estate industry. Although we are not aware that any such instances occurred during the Track Record Period, we cannot guarantee that our measures to protect our intellectual property will be sufficient. We primarily rely on contracts with our employees and business partners under trademark and copyright laws and regulations to protect our intellectual property rights. Despite the precautions taken, there can be no assurance that we will be able to detect all misappropriation or unauthorized use of our trade name and trademarks in a timely manner, or at all. There is also no guarantee that we will be successful in any enforcement proceedings that we undertake. Litigation to protect our intellectual property may be time-consuming and costly and divert management attention from our operations. Our business and financial condition may be materially and adversely affected in the short term, while failures to protect our intellectual property rights may diminish our competitiveness and market share in the long term.

False advertising of our properties may lead to penalties, undermine our sales and marketing efforts, deteriorate our brand name, and have a material adverse effect on our business.

As a property developer in the PRC, we are subject to a variety of laws and regulations concerning the marketing and promotion of our property development projects, our business and our brand image. If any of our advertisements are considered to be untruthful or any of the sales and marketing efforts by us or our agents are considered to be unlawful, we may be penalized and required to cease publishing the advertisements and eliminate adverse effects. In addition, any false advertising may cast doubt on our other disclosure, advertisements, filings and publications, deteriorate our brand name and reputation and consequently may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

The property development and sales business is subject to customer claims under statutory quality warranties.

All property developers in the PRC, including us, must provide certain quality warranties for the properties they construct or sell. We have received customer claims in relation to the quality of our projects in the past, such as water leakage, sinking and uneven floors and wall cracks, and we expect to continue to receive customer claims of this nature in the future. Generally, we coordinate with the relevant third-party contractors to respond to such customer claims as most of such complaints were mainly due to the customers’ dissatisfaction with the quality of properties they have purchased. Subject to the agreements we enter into with our third-party contractors, we typically receive quality warranties from our third-party contractors to cover claims that may be brought against us under our warranties. See “Business—Our Property Development Management—Delivery of Properties and After-sales Customer Service—Warranties and Returns.”

We cannot assure you that we will not face any significant customer claims in the future, either individually or in aggregate. If a significant number of claims are brought against us under our warranties and if we are 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 is not sufficient, we could incur significant expenses to resolve such claims or face delays in correcting the related defects, which could in turn harm our reputation and could have a material adverse impact on our business, financial condition and results of operations.

We may fail to retain members of our senior management team and key personnel.

Our continuing and future success depends on the efforts of our senior management team. As they possess industry expertise, know-how or experience in key areas such as property development, construction and sales and marketing, losing their services may have a material and adverse effect on our ability to grow and sustain our business. Should any or all members of our senior management team join or form a competing business with their expertise, business relationships and full knowledge of our business operations, we may not be able to estimate the extent of and compensate for such damage. Unexpected resignations may also leave key operations without supervisors and materially and adversely affect the implementation of our business strategies. In addition, we rely on our key experienced employees, which include qualified design, construction management, quality control, marketing and on-site supervisory for our daily operation and business expansion. There can be no assurance that we will be able to recruit personnel with equivalent qualifications in a timely manner or at all, as competition for experienced management is intense in our industry.

We may not be able to effectively use our Co-Investment Schemes.

In anticipation of the expansion of our business and to align the interests of our employees with our business prospects and further incentivize our employees, we have implemented Co-investment Schemes with benefit- and risk-sharing features for our employees’ participation. Our Co-Investment Schemes are designed to motivate our

RISK FACTORS

employees. If we fail to design, implement or continuously improve our schemes or if we fail to return the investment contribution or distributable benefits entitled by our employees due to the undesirable performance or shortage of cash of the relevant projects, we may not be able to discharge our obligations according to the Co-investment Schemes or their trust in our Co-investment Schemes may be compromised and we will not be able to attract, motive and retain our employees effectively as planned. The losses to our skilled and experienced management and other employees will adversely affect our growth, business operations, financial performance and prospects.

We may be subject to fines for our failure to make adequate contribution to social insurance fund and housing provident fund on behalf of some of our employees.

During the Track Record Period, we did not fully contribute to social insurance and housing provident funds for some of our employees. We had made the provisions in the amount of RMB1.2 million, RMB1.9 million and nil, respectively, in 2020, 2021 and 2022.

According to the relevant laws and regulations, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. Under the relevant PRC laws and regulations, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. For details, see “Business – Employees” in this document.

We may not have adequate insurance coverage to cover risks related to our business.

We do not maintain any insurance policies for our property development projects, and we do not maintain property insurance specifically for our properties held for investment. In addition, we require the general contractors of our development projects to maintain insurance policy in accordance with the contracting agreements. Furthermore, we do not maintain insurance covering construction-related property damage or personal injuries of third parties.

In addition, we do not maintain insurance against any liability arising from allegedly tortious acts committed on our work sites. We cannot assure you that we will not be sued or held liable for damage arising from, or in connection with, any such tortious acts. Moreover, there are certain losses for which insurance is not available on commercially practicable terms, such as those suffered due to earthquakes, typhoons, floods, wars, civil disorders and other events of force majeure. If we suffer any loss, damage or liability in the course of our business operations, we may not have sufficient funds to cover such loss, damage or liability or to replace any property development that has been destroyed. In addition, any payment we make to cover any loss, damage or liability could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We may not be able to prevent or detect actions by our employees or agents which violate applicable anti-corruption laws and regulations.

Bribery and other misconduct by our employees or agents may be difficult to prevent or to detect on a timely basis, or at all. Although we have put in place relevant internal control measures aimed at preventing our employees and agents from engaging in conduct which would violate applicable anti-corruption laws and regulations, there can be no assurance that we will be able to prevent or detect such misconduct. Such misconduct by our employees or agents could subject us to financial losses and harm our business and operations. In addition to potential financial losses, such misconduct could subject us to third party claims and regulatory investigations. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain portions of our property development projects and investment properties are designated as civil air defense properties, and we may not be able to use these areas as planned in times of war.

Certain portions of our property development projects and investment properties are designated as civil air defense properties. According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defense purposes in times of war. Under the PRC Civil Air Defense Law (《中華人民共和國人民防空法》) promulgated by the NPC on October 29, 1996, as amended on August 27, 2009 and Management Measures for Peacetime Development and Usage of Civil Air Defense Properties (《人民防空工程平時開發利用管理辦法》) promulgated by the House Civil Air Defense Office on November 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 properties at other time and generate profits from such use. During the Track Record Period, we had entered into contracts to transfer the right to use civil air defense properties in our property development projects to our customers as car parks and we intend to continue such transfer. However, in times of war, such areas may be used by the PRC Government at no cost. In the event of war and if the civil air defense area of our projects is used by the public, we may not be able to use such area as car parks, and such area will no longer be a source of our revenue. In addition, while our business operations have complied with the laws and regulations on civil air defense property in all material aspects, we cannot assure you that such laws and regulations will not be amended in the future which may make it more burdensome for us to comply with and increase our compliance cost. As of December 31, 2022, we had civil air defense areas with an aggregate GFA of approximately 536,058 sq.m., which are primarily used or to be used for car parks, representing an insignificant portion of our property portfolio.

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

We rely on our information technology systems to manage key operational functions such as processing financial data and coordinating business operations among the operational teams at the headquarter level and city level. However, we cannot assure you that damages or interruptions caused by power outages, computer viruses, hardware and software failures, telecommunication failures, fires, natural disasters, security breaches and other similar occurrences relating to our information systems will not occur going forward. We may incur significant costs in restoring any damaged information technology systems. Failures in or disruptions to our information technology systems and loss or leakage of confidential information could cause transaction errors, processing inefficiencies and the loss of customers and sales. Thus our business and results of operations may be materially and adversely affected.

RISK FACTORS

We had borrowings during the Track Record Period from third-party companies.

Similar to many other property developers in the PRC, we enter into financing arrangements with trust companies, asset management companies and their financing vehicles, as well as other financial partners in the ordinary course of business to finance our property development and other related operations. As of December 31, 2022, we had three loans with third party companies which are not financial institutions: one of which had an annual interest rate of 9.0% with principal balance of RMB23.0 million outstanding, and the other loan had an annual interest rate of 5.0% with a principal balance of RMB48.5 million outstanding, both loans are unsecured and will mature in December 2023; another loan had an annual interest rate of 7.0% with principal balance of RMB50.0 million outstanding and will mature in May 2023.

Under the General Lending Provisions (《貸款通則》), only financial institutions may legally engage in the business of extending loans, and loans between companies that are not financial institutions are prohibited. The PBOC may impose penalties on the lender equivalent to one to five times of the income generated (being interests charged) from loan advancing activities. However, pursuant to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the “Provisions”) promulgated on August 6, 2015, effective on September 1, 2015 and amended on August 20, 2020 and December 29, 2020, loans among companies are valid if extended for purposes of financing production or business operations, except for circumstances resulting in a void contract stipulated in the Civil Code of the PRC and the Provisions. The PRC courts will also support a company’s claim for interest in respect of such a loan as long as the annual interest rate does not exceed four times the one-year loan prime rate, at the time when the contract is entered into, published on the 20th day of every month by National Interbank Funding Center (全國銀行間同業拆借中心) with the authorization from PBOC.

RISKS RELATING TO OUR INDUSTRY

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

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

RISK FACTORS

Laws and regulations promulgated to regulate other sectors of the economy may also indirectly affect our industry. Since 2004, the PRC and local governments introduced a series of regulations and policies designed to generally control the growth of the property market, including:

- strictly enforcing the idle land-related laws and regulations;
- restricting the grant or extension of revolving credit facilities to property developers that hold a large amount of idle land and vacant commodity properties;
- prohibiting commercial banks from lending funds to property developers with an internal capital ratio lower than certain prescribed percentage;
- restricting PRC commercial banks from granting loans to property developers for the purpose of paying land grant premiums;
- controlling the supply of residential property sales by adopting lots drawing policy in certain cities such as Shanghai, Nanjing, Changsha and Chengdu;
- limiting the maximum amount of monthly mortgage and the maximum amount of total monthly debt service payments of an individual borrower;
- limiting the proportion of real estate loans and personal housing loans in banking financial institutions (excluding overseas branches);
- prohibiting illegal inflow of business-related loans into real estate market;
- imposing a business tax levy on the sales proceeds for second-hand transfers subject to the length of holding period and type of properties;
- raising the minimum percentage of down payment of the purchase price of the residential property of a family;
- restricting purchasers from acquiring second and more residential properties and imposing property purchase restrictions on non-local residents who cannot provide any proof of local tax or social security payments for more than a specified time period in certain cities; and
- restricting the availability of individual housing loans in the property market to individuals and their family members with more than one residential property, and raising interest rates of such loans.

These and other measures, including additional requirements for pre-sales and restricting the use of funds raised by pre-sales, made the properties we developed more costly, unattractive or even unavailable to certain of our customers. In addition, since January 2010,

RISK FACTORS

policies implemented by the PRC Government with regard to bank loans and trust financing arrangements for property development projects have had, and may continue to have, a dampening effect on the property markets in which we operate. These measures resulted in downward pressure on the PRC property market starting in the second half of 2011 and reduced transaction volumes in the first quarter of 2012.

Following the market fluctuations in the face of temporary easing of some restrictions by local governments in the second and third quarters of 2012, the property price and transaction volume increased in the last quarter of 2012 and the first quarter of 2013. On February 26, 2013, the General Office of the State Council announced the Notice on Further Regulation of the Real Estate Market (《國務院辦公廳關於繼續做好房地產市場調控工作的通知》). According to such notice, local governments shall increase the supply of housing properties and land, and set price control targets in cities with rapidly increasing property prices. In addition, the notice also requires the local government to strictly implement existing purchase restrictions and differentiated credit policies with regard to the down payment ratios and interest rates for mortgages for second and more residential property. If the property price increases too quickly, the local governments may further increase interest rates and down payment ratio for mortgages for second and more properties. For cities with existing purchase restrictions, the city municipals shall impose further restrictions. For cities with no purchase restrictions, the provincial governments must require these cities to promptly adopt purchase restrictions. The tax, building and construction authorities are required to coordinate to ensure that the 20% individual income tax on the difference between the sales proceeds and the original purchase price for the sales of second-hand properties is strictly implemented. These policies aim to serve to restrain the trend of excessive increase in housing prices. At the end of 2013, a new round of policies aiming at promoting affordable housing and discouraging speculative investments in residential properties were announced in a number of large cities in China, including Beijing, Shanghai, Guangzhou, Shenzhen, Zhengzhou, Nanchang, Fuzhou, Xiamen, Nanjing and Hangzhou.

The PRC Government has eased certain restrictive measures starting in the third quarter of 2014 to foster the growth of the residential property market in China, encourage transactions and reduce idle housing inventories. However, such measures have resulted signs of overheating in the property markets in first-tier cities and certain second-tier cities. As a response, in first-tier cities and certain second-tier cities including Shanghai, Shenzhen, and Suzhou, local governments have again enhanced restrictive measures such as raising the minimum percentage of down payment of the purchase price of the second and more residential property of a family, requiring longer social insurance records in such cities for citizens whose household registration were not in such cities, and restriction on the percentage of price increases by property developers during a year. In 2015, the PRC Government raised percentage of down payment and changed the calculation base of business tax concerning transfer of individual housing, pursuant to which, 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

RISK FACTORS

purchase price of the house; the sales of an ordinary residential property purchased by an individual more than two years ago is not subject to such business tax. In 2016, such tax policies have been further refined.

On February 13, 2017, the Asset Management Association of China issued Circular 4 of Regulation for Registration Management of Private Asset Management Plan by Securities and Future Institutions, or the Circular 4. The Circular 4 provides that any private equity and asset management plan that is adopted to make either direct or indirect investment into any ordinary residential property project located in certain PRC cities where the property price rises too fast shall not be filed for a record temporarily. Such cities currently comprise 16 major cities in the PRC, such as Shanghai, Hefei, Nanjing, Suzhou, Tianjin, Fuzhou, Wuhan and Zhengzhou, and the list of such cities may be updated from time to time in the future according to the relevant regulations of the MOHURD. According to the Circular 4, a private equity and asset management plan shall neither be used to finance any property developer, by means of bank entrusted loans, trust plans, or usufruct of transferee assets, for the purpose of paying the price of land grant or supplementing the working capital, nor be used to directly or indirectly facilitate any violation or illegality of various institutions' granting of loans for down payments.

In recent years, governments in Shanghai, Shenzhen and certain other cities have introduced further policies to restrain property purchases for specialization purposes and prevent property prices from rising too quickly. Such policies include raising the minimum percentage of down payment of the purchase price, setting the minimum interest rate for personal mortgage loans, adopting lots drawing policy for the sales of residential properties. On April 1, 2017, the Ministry of Land and Resources and the MOHURD issued the Circular of the MOHURD and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (《住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》). To maintain a housing supply-demand balance, cities facing serious demand over supply and overheating market shall increase the supply of housing land, especially for ordinary commercial houses, and cities with excessive housing supply shall reduce or suspend the land supply for housing. All the local governments shall build inspection systems to monitor the source of funds for land acquisition to ensure that the property developers use their own legal funds to purchase land. These measures reduced the transaction volumes in certain major cities in the PRC in the second quarter of 2017. On July 13, 2021, in order to promote the steady and healthy development of the real estate market, the PRC government has issued the Notice on Continued Rectification and Standardization of the Real Estate Market Order (《關於持續整治規範房地產市場秩序的通知》), which was promulgated to rectify and standardize the real estate market order in the fields of real estate development, property sale and purchase, housing leasing and property management services.

RISK FACTORS

On October 23, 2021, the 31st Session of the Standing Committee of the 13th National People’s Congress adopted the Decision of the Standing Committee of the National People’s Congress on Authorizing the State Council to Carry out a Pilot Program of Real Estate Tax Reform in Certain Areas (the “Decision”), authorizing the State Council to carry out a pilot program of real estate tax reform in certain areas. According to the Decision, the period for the real estate tax pilot program shall be five years from the date when the measures for the pilot program are officially issued by the State Council.

There are no assurance that the PRC Government will relax existing restrictive measures, impose and enhance restrictive measures, or to impose other restrictive policies, regulations or measures in the 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, and any easing measures introduced may also not be sufficient. 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.

We face intense competition from other real estate developers.

Competition within the PRC real estate industry is intense. In recent years, many competitors, including large-scale nationwide property developers have entered the property development markets in cities of China where we have operations. Many of them may have more financial, marketing, technical or other resources than us. Competition among property developers may cause an increase in land premium and raw material costs, shortages in quality construction contractors, surplus in property supply leading to decreasing property prices, further delays in issuance of governmental approvals, and higher costs to attract or retain skilled employees. If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

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

Investments in the PRC property sector have increased significantly in the past decade. In response to concerns over the rapid increase in property investments and property prices, from 2004 to the first half of 2008, the PRC Government introduced various policies and measures to curtail property developments. In the second half of 2008 and 2009, in order to reduce the impact of the global economic slowdown, the PRC Government adopted measures to encourage consumption in the residential property market and to support real estate development. However, since December 2009, the PRC Government has adjusted some of its policies in order to enhance regulation in the property market, restrain property purchases for investment or speculation purposes, and keep property prices from rising too quickly in certain cities. In August 2011, MOHURD urged provincial governments to implement home purchase restrictions to control property prices, and listed criteria for the implementation of restrictions. In the second half of 2011, in order to further cool down the property market, the PRC Government extended home purchase restrictions to certain second- and third-tier cities in addition to 40 first- and second-tier cities that had already adopted home purchase restriction

RISK FACTORS

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

On April 1, 2017, the MOHURD issued the Notice of the MOHURD and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (《住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》). According to the Notice, cities facing serious demand over supply and overheating market shall increase the supply of housing land to maintain a housing supply-demand balance, especially for ordinary commercial houses, and cities with excessive housing supply shall reduce or suspend the land supply for housing.

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

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

We are exposed to risks associated with operating in an industry yet in the adjustment and optimization stage.

As the real estate industry in China is yet in the adjustment and optimization stage, investors may be discouraged from acquiring properties, as there is a limited amount of accurate financial and regulatory information publicly available. Other factors that discourage investment in real estate may include the limited number of mortgage financing options available, legal uncertainties to do with enforcement of title and the lack of a liquid secondary market for residential properties. Though demand for private residential property has grown in recent years, the real estate market has experienced volatility and price fluctuations. The risk of over-supply has also surfaced as investments in real estate are increasingly made for speculative reasons. We are exposed to risks associated with operating in such a business

RISK FACTORS

environment. Any of the factors relating to the real estate industry may reduce demand for our properties. We may be forced to lower our prices, and the resulting decrease in our profit margins may materially and adversely affect our business and results of operations.

RISKS RELATING TO THE PRC

Changes in economic, political and social conditions and government policies in China could have a material adverse effect on our business, financial condition, results of operations and prospects.

We manage and operate all of our business operations within the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a significant degree, subject to economic, political and social developments in China. The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

The PRC economy is in the process of transitioning from a centrally planned economy to a more market-oriented economy. Before its adoption of reform and open-door policies beginning in 1978, China was primarily a planned economy. Since then, the PRC economy has been transitioning to become a market economy with socialist characteristics. For approximately four decades, the PRC Government has implemented economic reform measures to utilize market forces in the PRC economy. Many of the economic reforms carried out by the PRC Government are unprecedented or experimental and are expected to be refined from time to time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining process and any changes in laws and regulations or the interpretation or implementation thereof in China may have a material impact on our operations or may adversely affect our financial condition and results of operations.

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

RISK FACTORS

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\$200 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 United States 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, or the Phase I Agreement. Under the Phase I Agreement, the United States 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.

We rely principally on dividends paid by our subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to pay dividends to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands and operate our core businesses through our operating subsidiaries in the PRC. Therefore, the availability of funds to pay dividends to our Shareholders largely depends upon dividends received from these subsidiaries. The ability of our subsidiaries to pay dividends or other distributions may be subject to their earnings, financial position, cash requirements and availability, applicable laws and regulations and restrictions on making payments to us contained in financing or other agreements. If any of our subsidiaries incurs indebtedness in its own name, the instruments governing the indebtedness may restrict dividends or other distributions on its equity interest to us. These restrictions could reduce the amount of dividends or other distributions that we receive from these entities, which might in turn restrict our ability to fund our business operations and pay dividends to our Shareholders. In addition, their declaration of dividends will be at the absolute discretion of the boards and shareholders of our subsidiaries.

Furthermore, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders. In addition, under the EIT Law and its implementation rules, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the EIT Law, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since January 1, 2008 payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

RISK FACTORS

Restrictions on currency exchange under PRC laws and regulations may limit our ability to satisfy obligations denominated in foreign currencies.

Currently, the Renminbi cannot be freely converted into foreign currencies, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. All of our revenue is denominated in Renminbi. Under our current corporate structure, we derive our income primarily from dividend payments made by our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to pay dividends or other payments to us or satisfy other foreign currency-denominated obligations, if any. Additionally, the PBOC has adjusted the Renminbi deposit reserve ratio for major banks several times since 2010, first upward to a peak of 21.5% and more recently downward to its present level of 12.5% for large institutions and 10.5% for smaller banks after adjustment as of January 1, 2020.

Under existing PRC foreign exchange regulations, the Renminbi is convertible without prior approval from SAFE for current account transactions, so long as certain procedures are complied with. Examples of such current account transactions include profit distributions and interest payments. However, prior approval and registration with SAFE is required for capital account transactions. Examples of capital account transactions include foreign direct investment and the repayment of loan principal. There can be no assurance that the PRC Government, in seeking to regulate the economy, will not restrict access to foreign currencies for current account transactions in the future. Such restrictions may limit our ability to convert cash from our operating activities into foreign currencies to make dividend payments or satisfy any foreign currency-denominated obligations we may have. Moreover, limitations on the flow of funds between us and our PRC subsidiaries may restrict our ability to provide financing to our PRC subsidiaries and take advantage of business opportunities in response to market conditions.

Our investment properties are located on land that is under long-term land use rights granted by the PRC Government. There is uncertainty about the amount of the land grant premium that we will have to pay and additional conditions that may be imposed if we decide to seek an extension of the land use rights for our investment properties.

Our investment properties are held by us under land use rights granted by the PRC Government. Under PRC laws, the maximum term of the land use rights is 40 years for commercial, tourism or recreational purposes and 50 years for industrial or other purposes. Upon expiration, the land use rights will be returned to the PRC Government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights. These land use rights do not have automatic rights of renewal and holders of land use rights are required to apply for extensions of the land use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC Government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be returned to the PRC Government without any compensation. As none of the land

RISK FACTORS

use rights granted by the PRC Government which are similar to those granted for our investment properties had, as of the Latest Practicable Date, run its full term, there was no precedent to provide an indication of the amount of the land grant premium which we will have to pay and any additional conditions which may be imposed if we decide to seek an extension of the land use rights for our investment properties upon the expiry thereof.

In certain circumstances, the PRC Government may, where it considers in the public interest, terminate land use rights before the expiration of the term. In addition, the PRC Government has the right to terminate long-term land use rights and expropriate the land in the event the grantee fails to observe or perform certain terms and conditions pursuant to the land use rights grant contracts. If the PRC Government charges a high land grant premium, imposes additional conditions, or does not grant an extension of the term of the land use rights of any of our investment properties, our operations and business could be disrupted, and our business, financial condition and results of operations could be materially and adversely affected.

Fluctuations in exchange rates may have a material and adverse impact on your investment.

The exchange rate of the Renminbi fluctuates against the Hong Kong dollar, U.S. dollar and other foreign currencies and is affected by the policies of the PRC Government and changes in international and domestic political and economic conditions. From 1995 to July 20, 2005, the conversion of the Renminbi into foreign currencies was based on fixed rates set by the PBOC. However, effective from July 21, 2005, the PRC Government decided to permit the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On November 30, 2015, the Executive Board of the International Monetary Fund completed a regular five-year review of the basket of currencies that make up the Special Drawing Right and determined that, effective from October 1, 2016, the Renminbi will be included in the Special Drawing Right basket as a fifth currency along with the U.S. dollar, the Euro, the Japanese yen and the British pound. It is difficult to predict how market forces and the PRC Government’s policies will continue to impact Renminbi exchange rates going forward. In light of the trend towards Renminbi internationalization, the PRC Government may announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar, U.S. dollar or other foreign currencies.

Substantially all of our revenue, liabilities and assets are denominated in Renminbi, while our [REDACTED] from the [REDACTED] will be denominated in Hong Kong dollars. Material fluctuations in the exchange rate of the Renminbi against the Hong Kong dollar may negatively impact our financial results and the value and amount of any dividends payable on our Shares. For example, significant appreciation of the Renminbi against the Hong Kong dollar could reduce the amount of Renminbi received from converting [REDACTED] or [REDACTED] from future financing efforts to fund our operations. Conversely, significant depreciation of the Renminbi may increase the cost of converting our Renminbi-denominated cash flow into Hong Kong dollars, thereby reducing the amount of cash available for paying dividends on our Shares or carrying out other business operations.

RISK FACTORS

Uncertainties with respect to the PRC legal system could have a material adverse effect on our business.

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

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

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

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

In addition, on July 14, 2006, China and Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), or the Arrangement. Pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in

RISK FACTORS

writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for such dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute do not agree to enter into a choice of court agreement in writing. On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (關於內地與香港特別行政區法院相互認可和執行民商案件判決的安排), or the New Arrangement. The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction need to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court in which the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement will replace the Arrangement when the former becomes effective. However, as of the Latest Practicable Date, the New Arrangement has not become effective and no specific date has been determined as its effective date. The Arrangement continues to apply and, as such, it may be difficult or impossible for investors to enforce a Hong Kong court judgment against our assets or our Directors or senior management in China.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to a tax rate of 25% on our global income.

Pursuant to the EIT Law, which came into effect on January 1, 2008, and was amended on February 24, 2017 and December 29, 2018, an enterprise established outside China whose “de facto management body” is located in China is considered a “PRC resident enterprise” and will generally be subject to the uniform EIT rate, of 25% on its global income. Under the implementation rules of the EIT Law, “de facto management body” is defined as the organizational body that effectively exercises management and control over such aspects as the business operations, personnel, accounting and properties of the enterprise.

On April 22, 2009, SAT released the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or the Circular 82, as amended on December 29, 2017, which sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China. Under Circular 82, a foreign enterprise controlled by a PRC enterprise or PRC enterprise group is considered a PRC resident enterprise if all of the following apply (i) the senior management and core management departments in charge of daily business operations are located mainly within China; (ii) financial and human resources

RISK FACTORS

decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders’ meetings are located or kept within China; and (iv) at least half of the enterprise’s directors with voting rights or senior management reside within China. In addition, Circular 82 also requires that the determination of “de facto management body” shall be based on the principle that substance is more important than form. Further to Circular 82, SAT issued the Chinese-Controlled Offshore Incorporated Resident Enterprises Income Tax Regulation (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Bulletin 45, which took effect on September 1, 2011, and amended on April 17, 2015, June 28, 2016 and June 15, 2018, to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such “Chinese-controlled offshore incorporated resident enterprises.” Bulletin 45 provides procedures and administrative details for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises which are registered outside of China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT’s criteria for determining the tax residence of foreign enterprises in general. Substantially all members of our senior management are currently based in China; if we are deemed a PRC resident enterprise, the EIT rate of 25% on our global taxable income may reduce capital we could otherwise divert to our business operations.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares under PRC law.

Under the EIT Law and its implementation rules, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business, unless such foreign investors’ jurisdiction of incorporation has a tax treaty or similar arrangement with the PRC that provides for a different withholding tax arrangement. According to the Mainland and Hong Kong Special Administrative Region Arrangement on Avoiding Double Taxation or Evasion of Taxation 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》) issued in August 2006, dividends paid by a foreign-invested enterprise in the PRC to its shareholders in Hong Kong will be subject to a withholding tax at a rate of 5% if such Hong Kong shareholder directly holds a 25% or more interest in the PRC enterprise. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income derived from sources within China unless a treaty or similar arrangement provides otherwise. Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

RISK FACTORS

Although we conduct all of our business operations in China, it is unclear whether dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, would be treated as income derived from sources within China, and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized from the transfer of our Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

Regulations relating to offshore investment activities by PRC residents may subject us to fines or sanctions imposed by the PRC Government, including restrictions on the ability of our PRC subsidiaries to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiaries.

The SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Overseas Investment and Financing and Round Trip Investment via Overseas Special Purpose Vehicles (《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》), or the Circular 37, in July 2014. Pursuant to Circular 37, PRC residents, including PRC institutions and individuals, must register with local branches of SAFE in connection with their direct or indirect offshore investments in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests or any inbound investment through SPVs. Such PRC residents are also required to amend their registrations with SAFE when there is change to the required information of the registered SPV, such as changes to its PRC resident individual shareholder, name, operation period or other basic information, or the PRC individual resident’s increase or decrease in its capital contribution in the SPV, or any share transfer or exchange, merger or division of the SPV. In accordance with Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or the Circular 13, the foreign exchange registration aforesaid has been directly reviewed and handled by banks since June 1, 2015, and SAFE and its branches perform indirect regulation over such foreign exchange registration through local banks. Under this regulation, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions being imposed on the foreign exchange activities of our PRC subsidiaries, including the payment of dividends and other distributions to their offshore parent or affiliate, the capital inflow from the offshore entities and their settlement of foreign exchange capital, and may also subject the relevant onshore companies or PRC residents to penalties under PRC foreign exchange administration regulations.

RISK FACTORS

We are committed to complying with and ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. Any future failure by any of our Shareholders who is a PRC resident, or controlled by a PRC resident, to comply with relevant requirements under this regulation could subject us to penalties or sanctions imposed by the PRC Government. However, we may not at all times be fully aware or informed of the identities of all of our Shareholders who are PRC residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of Circular 37. Moreover, there is no assurance that the PRC Government will not have a different interpretation of the requirements of Circular 37 in the future.

PRC laws and regulations establish more complex procedures for some acquisitions of PRC companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China.

We may grow our business in part by acquiring other companies operating in our industry. A number of PRC laws and regulations, including the M&A Rules, the Anti-Monopoly Law (《反壟斷法》), the Anti-monopoly Compliance Guideline for Operators (《經營者反壟斷合規指南》) and the Rules of MOFCOM on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by MOFCOM on August 25, 2011, and effective from September 1, 2011, or the Security Review Rules, have established procedures and requirements that are expected to make the review of certain merger and acquisition activities by foreign investors in China more time-consuming and complex. These include requirements in some instances to notify MOFCOM in advance of any transaction in which foreign investors take control of a PRC domestic enterprise, or to obtain approval from MOFCOM before overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control or security review.

The Security Review Rules prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, revoking business and operating licenses, confiscating our income and requiring us to restructure or unwind our restructuring activities. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. Furthermore, if the business of any target company we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or any contractual arrangement. Complying with the requirements of the relevant regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from MOFCOM, may delay or inhibit our ability to complete such transactions, thus affecting our ability to expand our business or maintain our market share.

RISK FACTORS

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

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics, pandemics 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, 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, pandemics such as the ongoing COVID-19 pandemic.

Past occurrences of pandemics, 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 or pandemics, for example, the ongoing 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.

The approval, filing or other requirements of the CSRC or other PRC Government authorities may be required under PRC laws.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the “Overseas Listing Trial Measures”) and relevant supporting guidelines, which will come into effect on March 31, 2023. The Overseas Listing Trial Measures will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

The Overseas Listing Trial Measures provides that if the issuer meets both the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer’s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer’s business activities are conducted in mainland

RISK FACTORS

China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. As at the Latest Practicable Date, the Overseas Listing Trial Measures are yet to take effect.

Also according to the Announcement relating to the Arrangement of Filing Management of Overseas Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) issued on February 17, 2023 by the CSRC, (i) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas securities offering and listing but have not obtained approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas securities offering and listing; (ii) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as the completion of hearing in the market of Hong Kong or the completion of registration in the market of the United States), but have not completed the indirect overseas listing; if domestic companies fail to complete the overseas listing within such six-month transition period, they shall file with the CSRC according to the requirements.

Based on the foregoing, if we cannot pass the hearing for the [REDACTED] on or before March 31, 2023, or if we pass the hearing for the [REDACTED] on or before March 31, 2023 but fail to complete the [REDACTED] on or before [REDACTED], our PRC Legal Advisors are of the view that we will be required to complete the filing procedures with the CSRC in connection with the [REDACTED]. We cannot assure you that we could meet such requirements or complete such filing in a timely manner. Any failure may restrict our ability to complete the [REDACTED] or any future equity capital raising activities, which would have a material adverse effect on our business and financial position. Further, as the Overseas Listing Trial Measures was recently promulgated, there remains substantial uncertainties as to its interpretation and implementation and how it may impact our ability to raise or utilize fund and business operation.

RISKS RELATING TO THE [REDACTED]

There has been no prior market for our Shares, and their liquidity and market price following the [REDACTED] may be volatile.

Prior to the [REDACTED], there was no public market for our Shares. The indicative [REDACTED] range and the [REDACTED] will be determined by negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and they may differ significantly from the market price of our Shares following the [REDACTED].

RISK FACTORS

We have applied to [REDACTED] and [REDACTED] our Shares on the Stock Exchange. However, even if approved, there can be no guarantee that: (i) an active or liquid trading market for our Shares will develop; or (ii) if such a trading market does develop, it will be sustained following completion of the [REDACTED]; or (iii) the market price of our Shares will not decline below the [REDACTED]. The trading volume and price of our Shares may be subject to significant volatility in response to factors including:

- variations in our financial condition and/or results of operations;
- changes in securities analysts’ estimates of our financial condition and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in investors’ perception of us and the investment environment generally;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- industrial or environmental accidents, litigation or loss of key personnel;
- changes in laws and regulations that impose limitations on our industry;
- fluctuations in the market prices of our properties;
- announcements made by us or our competitors;
- changes in pricing adopted by us or our competitors;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- the liquidity of the market for our Shares; and
- general economic and other factors.

Potential investors will experience immediate and substantial dilution as a result of the [REDACTED] and could face dilution as a result of future equity financings.

The [REDACTED] substantially exceeds the per Share value of our net tangible assets after subtracting our total liabilities, and therefore potential investors will experience immediate dilution when they purchase our Shares in the [REDACTED]. If we were to distribute our net tangible assets to our Shareholders immediately following the [REDACTED], potential investors would receive less than the amount they paid for their Shares.

RISK FACTORS

We will comply with Rule 10.08 of the Listing Rules, which specifies that no further Shares or other securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to such an issue within six months from the [REDACTED]. However, after six months from the [REDACTED], we may raise additional funds to finance future acquisitions or expansions of our business operations by issuing new Shares or other securities of our Company. As a result, the percentage shareholding of the then Shareholders may be diluted and such newly issued Shares or other securities may confer rights and privileges that have priority over those of the then Shareholders. In addition, if we issue additional Shares or equity-linked securities in the future and such Shares are issued at a price lower than the net tangible asset value per Share at the time of their issuance, you and other purchasers of our Shares may experience further dilution in the net tangible asset value per Share.

Future or perceived sales of substantial amounts of our Shares, in particular future or perceived sales of Shares by our existing Shareholders could affect our market price.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other related securities, or the perception that such sales may occur. Our ability to raise future capital at favorable times and prices may also be materially and adversely affected. The Shares held by the Controlling Shareholders are currently subject to certain lock-up undertakings, the details of which are set out in “[REDACTED].” However, there is no assurance that, following the expiration of the lock-up periods, these Shareholders will not dispose of any Shares. We cannot predict the effect of any future sales of the Shares by any of our Shareholders on the market price of our Shares.

We may not declare dividends on our Shares in the future.

Any declaration of dividends will be proposed by our Board of Directors, and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, capital requirements and surplus, contractual restrictions, future prospects and other factors which our Board of Directors may determine are important. See “Financial Information—Dividend and Distributable Reserves.” We cannot guarantee when, if and in what form dividends will be paid.

Investors may experience difficulties in enforcing their Shareholder rights because we are incorporated in the Cayman Islands, and the protection afforded to minority Shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by our Memorandum, Articles of Association, the Cayman Islands Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or those of other jurisdictions where investors may be located. As a result, minority

RISK FACTORS

Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or in other jurisdictions. A summary of our company law of the Cayman Islands on protection of minority shareholders is set out in “Appendix IV — Summary of the Constitution of our Company and Cayman Islands Company Law—Cayman Islands Company Law.”

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of Shareholders who [REDACTED] for Shares in the [REDACTED].

Immediately after the [REDACTED], our Controlling Shareholders will directly or indirectly control the exercise of [REDACTED]% of voting rights in the general meeting of our Company. See “Relationship with Controlling Shareholders.” The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent changes in control of our Company that would otherwise benefit our other Shareholders. To the extent that the interests of our Controlling Shareholders conflict with those of our other Shareholders, our other Shareholders may be deprived of opportunities to advance or protect their interests.

Since there will be a gap of several days between the [REDACTED] and trading of our [REDACTED], the [REDACTED] of our [REDACTED] could fall below the [REDACTED] when [REDACTED] commences.

The [REDACTED] of our Shares will be determined on the [REDACTED], which is expected to be [REDACTED]. However, our Shares will not commence [REDACTED] on the Stock Exchange until the [REDACTED], which is expected to be [REDACTED]. Accordingly, investors may not be able to sell or [REDACTED] our Shares during the period between the [REDACTED] and the [REDACTED]. Our Shareholders are subject to the risk that the price of our Shares could fall before trading begins, as a result of adverse market conditions or other adverse developments that could occur between the [REDACTED] and the [REDACTED].

We cannot guarantee the accuracy of facts, forecasts and statistics with respect to China, the PRC economy and our relevant industries contained in this document.

Certain facts, forecasts and statistics in this document, particularly the sections headed “Business” and “Industry Overview”, contain certain information relating to China, the PRC economy and industries relevant to us have been derived from information provided or published by PRC Government agencies, industry associations, independent research institutions or other third-party sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false

RISK FACTORS

or misleading. None of our Company, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any other party involved in the [REDACTED] or their respective directors, advisers and affiliates have independently verified such information and statistics, and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced for other economies and should not be relied upon. Furthermore, there can be no assurance that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should consider how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by, and information currently available to, our management. When used in this document, the words “aim,” “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

You should read this entire document carefully and not consider or rely on any particular statements in this document or in published media reports without carefully considering the risks and other information in this document.

Prior or subsequent to the publication of this document, there has been or may be press and media coverage regarding us and the [REDACTED], in addition to marketing materials we published in compliance with the Listing Rules. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in unauthorized press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media, and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of the information in the media is inconsistent or conflicts with the contents of this document, we expressly disclaim it. Accordingly, prospective investors should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to purchase the [REDACTED].