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QD US REAL ESTATE COMPANY

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

REGISTERED NUMBER FC 031878

31 DECEMBER 2020

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QD US Real Estate Company

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QD US Real Estate Company

Strategic report

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

Principal activities

QD US Real Estate Company's ('The Group') principal activity is that of a holding company. It has wholly owned subsidiaries whose principal activity is real estate investment.

Business review

The consolidated statement of comprehensive income is set out on page 6 and shows the result for the year. The Group made a loss of USD 161,067,180 for the year ended 31 December 2020 (2019: Profit USD 55,704,072). The loss in the year was mainly driven by a reduction in the value of the joint venture investment properties. Property valuations have been adversely impacted by COVID-19, however management believe they will recover in future years.

As at 31 December 2020, the Group holds the following investments in joint ventures;

- A city centre mixed use project based in downtown Washington DC. The project is known as CitycenterDC ("CCDC") and consists of two 11 storey apartment buildings for private rented sector, two 11 storey residential condominium buildings whose units have all been sold, two eleven storey office towers which are fully let with high quality long lease tenants, and 185,000 square feet of high-end retail located on the ground level of each of the towers.
- A hotel and retail project known as Conrad Washington, based in downtown Washington DC, adjacent to the mixed use CityCenterDC project. The Conrad Washington is a 360-room luxury hotel operated by Hilton Hotels & Resorts, and 30,000 square feet of high-end ground floor retail.
- An office and retail building in Long Island, New York, which is minutes from midtown Manhattan via bridge or subway. This development is branded as "The JACX" consists of two fully let 15-storey office towers above a 43,000 square foot podium of ground floor retail space that is fully let.

Key performance indicators

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


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

| | 2020 | 2019 |
|--|---------------|-------------|
| | USD | USD |
| Share of (loss) / profit from joint ventures | (157,951,903) | 126,202,395 |
| (Loss) / profit for the year | (161,067,180) | 55,704,072 |

Post balance sheet events

The post balance sheet events affecting the Group are disclosed within Note 14 of the consolidated financial statements.

For and on behalf of the Board


Tariq Al Abdulla
Director
Date 28.09.2022

QD US Real Estate Company

Directors' report

The directors of QD US Real Estate Company (the "Company") present their directors' report and consolidated financial statements of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2020.

Principal activities and review of the business

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

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

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

Results and dividends

The loss of the Group for the year ended 31 December 2020 dealt with in the consolidated financial statements is USD 161,067,180 (2019: Profit USD 55,704,072).

The directors acknowledge the year has been difficult due to the COVID-19 pandemic. The loss in the year was mainly driven by a reduction in the value of the joint venture investment properties. Property valuations have been adversely impacted by COVID-19, however management believe they will recover in future years. Management note that despite the loss the company has positive reserves and the continued financial support of its parent company.

The directors do not recommend the payment of a dividend in respect of the year to 31 December 2020 (2019: Nil).

Directors

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

Tariq Al-Abdulla
Jean Lamothe (resigned 31 July 2020)
Richard Oakes
Abdulla Hamad A A Al-Attiyah
Raheel Arif Mir (appointed 31 July 2020, resigned 19 August 2022)

Directors' remuneration

There was no directors' remuneration during the year ended 31 December 2020 (2019: USD Nil).

Staff numbers and costs

There were no employees and no indemnity provisions during the year ended 31 December 2020 (2019: USD Nil).

Political contribution

The Group incurred no political expenditure during the year (2019: USD Nil).

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of interest rate risk, currency risk, credit risk and liquidity risk. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group (Note 12).

Going concern

The directors' continue to assess the impact of Novel Coronavirus (COVID-19) on the Group and its underlying assets. However, the extent and duration of the pandemic remains uncertain and dependant on future events such as the effective roll out of a vaccine. It is currently believe that, in time, economic conditions will improve as will the underlying performance of the Group's assets.

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. The consolidated financial statements continue to be prepared on a going concern basis.

QD US Real Estate Company

Directors' report (continued)

Disclosure of information to auditor

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

Auditors

A resolution to reappoint Ernst & Young Qatar Branch as auditor will be proposed.

Directors' responsibilities statement

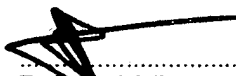
The directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and regulations.

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

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

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

By order of the Board


.....
Tariq Abdulla
Director

Company registration number FC 031878

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF QD US REAL ESTATE COMPANY

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of QD US Real Estate Company (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other information

Other information consists of the information included in the Strategic Report and Directors' Report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

Responsibilities of management and the Board of Directors for the consolidated financial statements

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

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF QD US REAL ESTATE COMPANY (CONTINUED)**

Report on the audit of the consolidated financial statements (continued)

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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


Ahmed Sayed
of Ernst & Young
Auditor's Registration No. 326

Date: 28 September 2022
Doha



QD US Real Estate Company

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | Notes | 2020 USD | 2019 USD |
|---|-------|----------------------|---------------------|
| Finance costs | | (23,927,637) | (23,131,270) |
| General and administrative expenses | | (2,150,723) | (2,393,795) |
| OPERATING LOSS | | (26,078,360) | (25,525,065) |
| Interest received | | - | 22 |
| Share of (loss) / profit of joint ventures | 4 | (157,951,903) | 126,202,395 |
| (LOSS) / PROFIT BEFORE INCOME TAX | | (184,030,263) | 100,677,352 |
| Deferred tax income / (expense) | 6 | 23,023,083 | (44,567,030) |
| Income tax expense | 6 | (60,000) | (406,250) |
| (LOSS) / PROFIT FOR THE YEAR | | (161,067,180) | 55,704,072 |
| Other comprehensive income for the year | | - | - |
| TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR | | (161,067,180) | 55,704,072 |

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Doha - Qatar

28 SEP 2022

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The attached notes 1 to 14 form an integral part of these consolidated financial statements.

QD US Real Estate Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

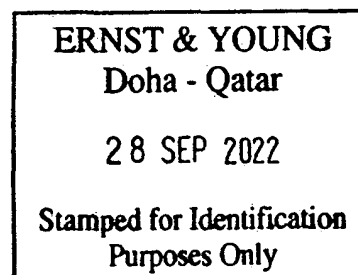
As at 31 December 2020

| | Notes | 2020 USD | 2019 USD |
|--------------------------------------|-------|--------------------|--------------------|
| ASSETS | | | |
| Non-current asset | | | |
| Investment in joint ventures | 4 | 779,309,586 | 939,787,720 |
| Current assets | | | |
| Due from related parties | 10 | 19,016,265 | 19,016,265 |
| Income tax recoverable | 6 | 47,963 | 47,963 |
| Prepayments | | 9,900 | 9,600 |
| Bank balances | | 1,780,298 | 2,564,302 |
| Total current assets | | 20,854,426 | 21,638,130 |
| TOTAL ASSETS | | 800,164,012 | 961,425,850 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 5 | 292,273 | 292,273 |
| Share premium | 5 | 220,552,231 | 220,552,231 |
| Retained earnings | 9 | 99,300,038 | 260,367,218 |
| Total equity | | 320,144,542 | 481,211,722 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Related party loan | 8 | 4,307,157 | 13,219,171 |
| Amounts due to related parties | 10 | 367,103,512 | 337,842,631 |
| Deferred tax liabilities | 6 | 87,125,089 | 110,148,172 |
| Total non-current liabilities | | 458,535,758 | 461,209,974 |
| Current liabilities | | | |
| Related party loan | 8 | 20,045,657 | 18,136,887 |
| Accruals | 7 | 1,372,493 | 449,353 |
| Amount due to related parties | 10 | 65,562 | 417,914 |
| Total current liabilities | | 21,483,712 | 19,004,154 |
| Total liabilities | | 480,019,470 | 480,214,128 |
| TOTAL EQUITY AND LIABILITIES | | 800,164,012 | 961,425,850 |

These consolidated financial statements were approved by the board of directors on 28 September 2022 and were signed on its behalf by:


Tariq Al Abdulla
Director

Company registration number FC 031878



The attached notes 1 to 14 form an integral part of these consolidated financial statements.

QD US Real Estate Company

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

| | <i>Share capital USD</i> | <i>Share premium USD</i> | <i>Retained earnings USD</i> | <i>Total USD</i> |
|---|----------------------------------|----------------------------------|--------------------------------------|----------------------|
| Balance 1 January 2019 | 292,273 | 220,552,231 | 204,663,146 | 425,507,650 |
| Profit for the year | - | - | 55,704,072 | 55,704,072 |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive income for the year | | | 55,704,072 | 55,704,072 |
| At 31 December 2019 | <u>292,273</u> | <u>220,552,231</u> | <u>260,367,218</u> | <u>481,211,722</u> |
| At 1 January 2020 | 292,273 | 220,552,231 | 260,367,218 | 481,211,722 |
| Loss for the year | - | - | (161,067,180) | (161,067,180) |
| Other comprehensive income for the year | - | - | - | - |
| Total comprehensive loss for the year | - | - | (161,067,180) | (161,067,180) |
| At 31 December 2020 | <u>292,273</u> | <u>220,552,231</u> | <u>99,300,038</u> | <u>320,144,542</u> |

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QD US Real Estate Company

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

| | Notes | 2020 USD | 2019 USD |
|---|-------|--------------------|----------------------|
| OPERATING ACTIVITIES | | | |
| (Loss) /profit before income tax | | (184,030,263) | 100,677,352 |
| Adjustments for: | | | |
| Finance costs | | 23,927,637 | 23,131,270 |
| Share of loss / (profit) of joint ventures | 4 | 157,951,903 | (126,202,395) |
| Operating cash flows before working capital changes | | (2,150,723) | (2,393,773) |
| Working capital changes: | | | |
| Due from related parties | | - | (15,002) |
| Prepayments | | (300) | - |
| Amounts due to related parties | | (352,352) | (102,801) |
| Accruals and provisions | | 923,140 | 228,625 |
| Cash used in operations | | (1,580,235) | (2,282,951) |
| Income tax paid | 6 | (60,000) | (406,250) |
| Net cash used in operating activities | | (1,640,235) | (2,689,201) |
| INVESTING ACTIVITIES | | | |
| Distributions received from joint ventures | 4 | 9,252,500 | 28,359,282 |
| Additions to investments in joint ventures | 4 | (6,726,269) | (128,773,010) |
| Net cash from / (used) in investing activities | | 2,526,231 | (100,413,728) |
| FINANCING ACTIVITIES | | | |
| Related party loan principal | 8 | - | 50,830,000 |
| Related party loan repayment | 8 | (8,502,500) | (20,900,482) |
| Net movements in related party loans | | 6,832,500 | 71,235,000 |
| Net cash (used) / from financing activities | | (1,670,000) | 101,164,518 |
| NET DECREASE IN BANK BALANCE | | (784,004) | (1,938,411) |
| Bank balance at 1 January | | 2,564,302 | 4,502,713 |
| BANK BALANCE AT 31 DECEMBER | | 1,780,298 | 2,564,302 |

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The attached notes 1 to 14 form an integral part of these consolidated financial statements.

QD US Real Estate Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

1 CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

QD US Real Estate Company (the "Company") is a Company incorporated in Cayman Islands in 2010. The registered office of the Company is located at the office of Maples Corporate Services Ltd PO Box 309 Ugland House, KY1-1104 Cayman Islands. The Company's principal activity is that of a holding company. It has wholly owned subsidiaries whose principal activity is real estate investment. The Company and its subsidiaries (together referred to as "the Group") are engaged in real estate investment. The Company commenced commercial operations effective 1 October 2010.

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

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

Controlling party

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

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

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

The consolidated financial statements of the Group for the year ended 31 December 2020 were authorized for issue by Board of Directors on 28 September 2022.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB).

Basis of preparation

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

QD US Real Estate Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (including structured entities) controlled by the Company and its subsidiaries.

Subsidiaries

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

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

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

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

| <i>Name of the subsidiary</i> | <i>Country of incorporation</i> | <i>Principal activities</i> | <i>Group's effective shareholding %</i> | |
|---|---------------------------------|-----------------------------|---|-------------------------|
| | | | <i>31 December 2020</i> | <i>31 December 2019</i> |
| QD US Parcel A (Residential) Company | Cayman Islands | Real estate investments | 100% | 100% |
| QD US Parcel A (Condo 1) Company | Cayman Islands | Real estate investments | 100% | 100% |
| QD US Parcel A (Condo 2) Company | Cayman Islands | Real estate investments | 100% | 100% |
| QD US Parcel A (Office) Company | Cayman Islands | Real estate investments | 100% | 100% |
| QD US Parcel A (Retail) Company | Cayman Islands | Real estate investments | 100% | 100% |
| CCDC Parcel B Hotel Corporation (UK) Ltd | United Kingdom | Real estate investments | 100% | 100% |
| CCDC Parcel B Retail Corporation (UK) Ltd | United Kingdom | Real estate investments | 100% | 100% |
| LIC Gotham (UK) Ltd | United Kingdom | Real estate investments | 100% | 100% |

Transactions eliminated on consolidation

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

Interests in joint ventures

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the adoption of following new standards and interpretations effective as of 1 January 2020 as noted below:

New standards, interpretations and amendments adopted by the Group

There were several new and amendments to standards and interpretations which are applicable for the first time in 2020, but these standards are either not relevant or do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendments to IFRS 3 Business Combinations clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, they clarify that a business can exist without including all of the inputs and processes needed to create outputs.

The other key amendments include:

- Removal of the assessment of whether market participants are capable of replacing any missing outputs or processes and continuing to produce outputs
- Adding guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrowing the definitions of business and outputs by focusing on goods or services provided to customers and by removing the reference to an ability to reduce costs
- Adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any acquisition. The Group expects that the amendments will reduce the number of transactions that are accounted for as a business combination.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The Group adopted Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (IBOR reform Phase 1) with effect from 1 January 2020. IBOR reform Phase 1 includes a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (RFR). This may lead to uncertainty whether a forecast transaction is highly probable and whether prospectively the hedging relationship is expected to be highly effective. IBOR reform Phase 1 provides reliefs which require the Group to assume that hedging relationships are unaffected by the uncertainties caused by IBOR reform.

This includes assuming that hedged cash flows are not altered as a result IBOR reform. Also, the reliefs allow the Group not to discontinue hedging relationships as a result of retrospective or prospective ineffectiveness if only caused by the reform. IBOR Reform Phase 1 also requires additional disclosures in relation to those hedging relationships to which the reliefs are applied.

These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New standards, interpretations and amendments adopted by the Group (continued)

Amendments to IAS 1 and IAS 8: Definition of Material (continued)

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

| <u>Contents</u> | <u>Effective dates</u> |
|--|------------------------|
| Reference to the Conceptual Framework – Amendments to IFRS 3 | 1 January 2022 |
| Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 | 1 January 2022 |
| Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 | 1 January 2022 |
| IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter | 1 January 2022 |
| IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities | 1 January 2022 |
| IAS 41 Agriculture – Taxation in fair value measurements | 1 January 2022 |
| IFRS 17: Insurance Contracts | 1 January 2023 |
| Amendments to IAS 1: Classification of Liabilities as Current or Non-current | 1 January 2023 |

Summary of significant accounting policies:

Financial instruments

A Financial instrument is any contract that gives rise to financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

**2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Summary of significant accounting policies (continued)

Financial instruments (continued)

(a) Financial assets (continued)

i) Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Business model: the business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at fair value through profit or loss ('FVTPL'). Factors considered by the Group in determining the business model for a Group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (Profit) (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest (Profit) includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at Fair value through profit or loss (FVTPL)

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- ▶ Financial assets at amortised cost (debt instruments)
- ▶ Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- ▶ Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- ▶ Financial assets at fair value through profit or loss

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Financial instruments (continued)

(a) Financial assets (continued)

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Due from related parties

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

Accounts receivable

Accounts receivable include client receivables, interest receivable and other receivables. Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful accounts is made when collection of the full amount is no longer probable.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand, cash at bank and short-term deposits that have a maturity of less than three months, net of bank overdraft.

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Financial instruments (continued)

(a) Financial assets (continued)

iv) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

Trade receivable including related parties, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

b) Financial liabilities

i) Initial recognition and measurement

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

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

The Group's financial liabilities include due to related parties, trade payable, accrued expenses and other payables.

ii) Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. Instalments due within one year are shown as a current liability. Instalments due after 1 year are shown as a non-current liability.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Financial instruments (continued)

(b) Financial liabilities (continued)

Due to related parties

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

Payables and accruals

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

iii) Derecognition

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

c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Provisions

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

Foreign currencies

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

Dividend distributions

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

Taxation

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

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Summary of significant accounting policies (continued)

Critical accounting judgments

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

Classification of investments

Note 4 of the consolidated financial statements describes that Group's investments in various companies as joint ventures of the Group although the Group owns between 80% and 95% of the share capital of the investee companies. The management of the Group assessed whether or not Group has control over these entities based on whether the Group has practical ability to control the relevant activities of these entities unilaterally. After assessment, management concluded that the Group jointly controls the relevant activities with its co-venturer and accordingly classified the same as investment in joint ventures.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. The consolidated financial statements continue to be prepared on a going concern basis.

Functional currency

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

Estimation uncertainty

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

Fair value measurements

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

Impairment of receivables

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

Impairment of non-financial assets

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

QD US Real Estate Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3 PROMOTE (EXPENSES) REVERSAL

Promote expenses are provisions payable under the LIC Site B-1 JV Holding LP joint venture to TSCE 2007 LIC Site B-1 GP, LLC, a co-venture. Based on the joint venture agreement, upon the later of 30 June 2021, the date of stabilization or the project being refinanced with a "permanent loan" the partnership i.e. LIC Site B-1 JV Holdings, L.P and Subsidiaries will make a one-time promote payment. The promote payment is calculated at 20% of amounts above an internal rate of return of 9% for the joint venture.

As at 31 December 2020, the carrying value of investment in LIC Site B-1 JV Holding LP joint ventures has been reduced based on the forecast promote expense at that date totalling \$26,457,022 (2019: \$26,690,706).

4 INVESTMENT IN JOINT VENTURES

The Group has the following investments in joint ventures:

| <i>Name of joint venture</i> | <i>Group effective shareholding as at 31 December</i> | | <i>Group's share of net assets as at 31 December</i> | |
|-------------------------------------|---|-------------|--|---------------------------|
| | <i>2020</i> | <i>2019</i> | <i>2020</i> <i>USD</i> | <i>2019</i> <i>USD</i> |
| CCDC Office L.L.C. (i) | 95% | 95% | 281,377,838 | 286,235,168 |
| LIC Site B-1 JV Holdings LP. (ii) | 80% | 80% | 339,862,195 | 404,378,196 |
| CCDC Hotel L.L.C. (iii) | 90% | 90% | 24,554,817 | 68,080,319 |
| CCDC Residential Rental L.L.C. (iv) | 95% | 95% | 83,242,315 | 104,608,472 |
| CCDC Retail L.L.C. (v) | 95% | 95% | 38,700,288 | 63,472,577 |
| CCDC Retail Parcel B L.L.C. (vi) | 90% | 90% | 11,436,995 | 12,856,508 |
| CCDC For Sale I L.L.C. (vii) | 90% | 90% | 68,816 | 79,512 |
| CCDC For Sale H L.L.C. (viii) | 90% | 90% | 66,322 | 76,968 |
| | | | 779,309,586 | 939,787,720 |

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

(i) CCDC Office L.L.C.

On the 6th May 2019, the Group acquired an additional 11.05% stake from Hines CCDC Partners, LLC within CCDC Office L.L.C. The Group now holds 95% (2019: 95%) of the ownership interest in CCDC Office L.L.C., which was registered and incorporated on 28 February 2011. The Company constructed two office buildings in the CityCenterDC mixed-use development project.

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

| | <i>2020</i> <i>USD</i> | <i>2019</i> <i>USD</i> |
|--|---------------------------|---------------------------|
| <i>Share of joint venture's statement of financial position:</i> | | |
| Total assets | 652,684,024 | 652,255,087 |
| Total liabilities | (356,496,826) | (350,954,910) |
| Equity | 296,187,198 | 301,300,177 |
| Proportion of the Group's ownership | 95% | 95% |
| Carrying amount of the investment | 281,377,838 | 286,235,168 |
| <i>Share of joint ventures results</i> | | |
| Total income | 51,737,406 | 56,625,340 |
| Total expenses | (50,350,385) | (52,509,256) |
| Profit for the year | 1,387,021 | 4,116,084 |
| Group's share of profit for the year | 1,317,670 | 3,910,280 |

QD US Real Estate Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 INVESTMENT IN JOINT VENTURES (CONTINUED)

(ii) LIC Site B-1 JV Holdings LP

The Group holds 80% of the ownership interest in LIC Site B-1 JV Holdings LP., which was registered and incorporated on 22 June 2016. The Company constructed 1.1 million SF of office space and 43,000SF of retail space in Long Island, New York.

A promote is payable under the joint venture agreement that reduces the carrying value as detailed below and in Note 3.

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

| | 2020 USD | 2019 USD |
|--|---------------|---------------|
| Share of joint venture's statement of financial position: | | |
| Total assets | 849,324,390 | 902,054,696 |
| Total liabilities | (391,425,368) | (363,218,570) |
| Equity | 457,899,022 | 538,836,126 |
| Proportion of the Group's ownership | 80% | 80% |
| Net Assets of joint venture | 366,319,217 | 431,068,901 |
| Promote Provision | (26,457,022) | (26,690,705) |
| Carrying amount of the investment | 339,862,195 | 404,378,196 |
| Share of joint ventures results | | |
| Total Income | 38,439,788 | 251,438,280 |
| Total expenses | (120,792,789) | (4,731,204) |
| (Loss) / profit for the year | (82,353,001) | 246,707,076 |
| Group's share of (loss) / profit for the year | (65,882,401) | 197,365,661 |
| QD Share of promote provision movement in the year | 195,860 | (26,690,705) |
| Group's share of (loss) / profit for the year | (65,686,541) | 170,674,956 |

(iii) CCDC Hotel L.L.C

The Group holds 90% of the ownership interest in CCDC Hotel L.L.C, which was registered and incorporated on 24 April 2014. The Company constructed a 360 room hotel adjacent to CityCenterDC mixed-use development. The project is now complete and the hotel operational.

During the year the Group made additional contributions towards CCDC Hotel L.L.C of \$5,405,729 (2019: \$3,059,433). The contributions were made on a 50/50 basis with the joint venture partner in accordance with the joint venture contract up to the 5th March 2020 (the conversion date) and then on an equity percentage thereafter. This effectively resulted in the carrying value being less than the 90% holding of the Group as detailed below. Future distributions will be repaid on a 50/50 basis until these contributions have been repaid in full and the carrying value is per the ownership holding of the joint venture partners.

QD US Real Estate Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

4 INVESTMENT IN JOINT VENTURES (CONTINUED)

(iii) CCDC Hotel L.L.C (Continued)

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

| | 2020 USD | 2019 USD |
|--|--------------|--------------|
| <i>Share of joint venture's statement of financial position:</i> | | |
| Total assets | 130,017,577 | 174,217,732 |
| Total liabilities | (96,393,007) | (95,830,460) |
| Equity | 33,624,570 | 78,387,272 |
| Proportion of the Group's ownership | 90% | 90% |
| Net Assets of joint venture | 30,262,113 | 70,548,545 |
| Operating contributions made on a 50% contribution | (5,707,296) | (2,468,226) |
| Carrying amount of the investment | 24,554,817 | 68,080,319 |

| | 2020 USD | 2019 USD |
|--|--------------|--------------|
| <i>Share of joint ventures results</i> | | |
| Total income | 11,050,644 | 38,650,669 |
| Total expenses | (64,585,345) | (97,865,443) |
| Loss for the year | (53,534,701) | (59,214,774) |
| Group's share of loss for the year | (48,181,231) | (53,293,297) |

(iv) CCDC Residential Rental L.L.C.

On the 6th May 2019, the Group acquired an additional 11.05% stake from Hines CCDC Partners, LLC within CCDC Residential Rental L.L.C. The Group now holds 95% (2019: 95%) of the ownership interest in CCDC Residential Rental L.L.C., which was registered and incorporated on 28 February 2011. The entity constructed two apartment buildings within the City Center DC mixed-use development project. These apartment buildings are now leased out.

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

| | 2020 USD | 2019 USD |
|--|---------------|---------------|
| <i>Share of joint venture's statement of financial position:</i> | | |
| Total assets | 229,165,113 | 252,043,318 |
| Total liabilities | (141,541,624) | (141,929,137) |
| Equity | 87,623,489 | 110,114,181 |
| Proportion of the Group's ownership | 95.00% | 95.00% |
| Carrying amount of the investment | 83,242,315 | 104,608,472 |
| <i>Share of joint ventures results</i> | | |
| Total income | 15,909,995 | 21,610,960 |
| Total expenses | (36,050,687) | (12,584,301) |
| (Loss) / profit for the year | (20,140,692) | 9,026,659 |
| Group's share of (loss) / profit for the year | (19,133,657) | 8,575,326 |

QD US Real Estate Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 INVESTMENT IN JOINT VENTURES (CONTINUED)

(v) CCDC Retail L.L.C.

On the 6th May 2019, the Group acquired an additional 11.05% stake from Hines CCDC Partners, LLC within CCDC Retail L.L.C. The Group now holds 95% (2019: 95%) of the ownership interest in CCDC Retail L.L.C., which was registered and incorporated on 28 February 2011. The Company constructed retail space within the six buildings (two office buildings, two apartment buildings, and two for-sale residential buildings) in the City Center DC mixed-use development project.

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

| | 2020 USD | 2019 USD |
|--|---------------|---------------|
| Share of joint venture's statement of financial position: | | |
| Total assets | 152,287,304 | 175,387,388 |
| Total liabilities | (111,550,159) | (108,574,149) |
| Equity | 40,737,145 | 66,813,239 |
| Proportion of the Group's ownership | 95.00% | 95.00% |
| Carrying amount of the investment | 38,700,288 | 63,472,577 |
| | 2020 USD | 2019 USD |
| Share of joint ventures results | | |
| Total income | 11,382,848 | 23,418,308 |
| Total expenses | (37,358,942) | (20,396,147) |
| (Loss) / profit for the year | (25,976,094) | 3,022,161 |
| Group's share of (loss) / profit for the year | (24,677,289) | 2,871,053 |

(vi) CCDC Retail Parcel B L.L.C

The Group holds 90% of the ownership interest in CCDC Retail Parcel B L.L.C., which was registered and incorporated on 24 April 2014. The Company constructed 30,000SF of retail space within the hotel development and adjacent to the City Center DC mixed-use development.

During the year the Group made additional contributions towards CCDC Hotel L.L.C of \$998,249. The contributions were made on a 50/50 basis with the joint venture partner in accordance with the joint venture contract. This effectively resulted in the carrying value being less than the 90% holding of the Group as detailed below. Future distributions will be repaid on a 50/50 basis until these contributions have been repaid in full and the carrying value is per the ownership holding of the joint venture partners.

QD US Real Estate Company

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2020

4 INVESTMENT IN JOINT VENTURES (CONTINUED)

(vi) CCDC Retail Parcel B L.L.C. (Continued)

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

| | 2020 USD | 2019 USD |
|--|---------------------|---------------------|
| <i>Share of joint venture's statement of financial position:</i> | | |
| Total assets | 33,726,680 | 34,999,939 |
| Total liabilities | <u>(19,998,237)</u> | <u>(19,827,597)</u> |
| Equity | <u>13,728,443</u> | <u>15,172,342</u> |
| Proportion of the Group's ownership | 90% | 90% |
| Net Assets of joint venture | 12,355,599 | 13,655,108 |
| Operating contributions made on a 50% contribution | <u>(918,604)</u> | <u>(798,600)</u> |
| Carrying amount of the investment | <u>11,436,995</u> | <u>12,856,508</u> |
| <i>Share of joint ventures results</i> | | |
| Total revenue | 1,698,608 | 1,008,983 |
| Total expenses | <u>(3,442,511)</u> | <u>(8,233,714)</u> |
| Loss for the year | <u>(1,743,903)</u> | <u>(7,224,731)</u> |
| Group's share of loss for the year | <u>(1,569,513)</u> | <u>(6,502,258)</u> |

(vii) CCDC For Sale I L.L.C.

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

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

| | 2020 USD | 2019 USD |
|--|-----------------|-----------------|
| <i>Share of joint venture's statement of financial position:</i> | | |
| Total assets | 85,974 | 98,586 |
| Total liabilities | <u>(9,512)</u> | <u>(10,239)</u> |
| Equity | <u>76,462</u> | <u>88,347</u> |
| Proportion of the Group's ownership | 90% | 90% |
| Carrying amount of the investment | <u>68,816</u> | <u>79,512</u> |
| <i>Share of joint ventures results</i> | | |
| Total income | - | - |
| Total expenses | <u>(11,884)</u> | <u>(24,236)</u> |
| Loss for the year | <u>(11,884)</u> | <u>(24,236)</u> |
| Group's share of loss for the year | <u>(10,696)</u> | <u>(21,812)</u> |

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4 INVESTMENT IN JOINT VENTURES (CONTINUED)

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

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

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

| | 2020 USD | 2019 USD |
|--|-------------|-------------|
| <i>Share of joint venture's statement of financial position:</i> | | |
| Total assets | 83,180 | 95,729 |
| Total liabilities | (9,489) | (10,209) |
| Equity | 73,691 | 85,520 |
| Proportion of the Group's ownership | 90% | 90% |
| Carrying amount of the investment | 66,322 | 76,968 |
| <i>Share of joint ventures results</i> | | |
| Total income | - | - |
| Total expenses | (11,829) | (13,278) |
| Loss for the year | (11,829) | (13,278) |
| Group's share of loss for the year | (10,646) | (11,950) |

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

| | 2020 USD | 2019 USD |
|---------------------------------------|---------------|--------------|
| At 1 January | 939,787,720 | 713,171,597 |
| Additional investments | 6,726,269 | 128,773,010 |
| Distributions received | (9,252,500) | (28,359,282) |
| Share of (loss) / profit for the year | (157,951,903) | 126,202,395 |
| At 31 December | 779,309,586 | 939,787,720 |

By September 15, 2016, the underlying joint ventures, CCDC Residential Rental L.L.C., CCDC Office L.L.C., and CCDC Retail L.L.C., achieved stabilized occupancy. On 1 October 2016, the Company and Hines CCDC has acknowledge that promote conversion has occurred. The Post-Conversion Percentage Interests are 83.95% as to the Company and 16.05% as to Hines CCDC which was effective on 1 November 2017. On the 6th May 2019, the group acquired an additional 11.05% stake in CCDC Residential Rental L.L.C., CCDC Office L.L.C., and CCDC Retail L.L.C. from Hines CCDC Partners, LLC.

CCDC Hotel L.L.C and CCDC Retail Parcel B L.L.C opened to the public in April 2019 and are now fully operational investments.

LIC Site B-1 JV Holdings LP substantially completed in October 2019 and is now a fully operational investment.

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4 INVESTMENT IN JOINT VENTURES (CONTINUED)

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

| | <i>2020</i> <i>USD</i> | <i>2019</i> <i>USD</i> |
|---|---------------------------|---------------------------|
| Reclassification to investment property | 1,815,400,000 | 1,898,700,000 |
| Recognition of deferred tax liabilities | (23,023,083) | 44,567,030 |
| Recognition of fair value gains | 507,252,216 | 636,376,195 |

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

5 SHARE CAPITAL

The authorised share capital of the Company is USD 292,273 (2019: USD 292,273) divided into 29,227,307 (2019: 29,227,307) participating shares of USD 0.01 par value. These shares are divided further into 144,450 (2019: 144,450) voting shares and 29,082,857 (2019: 29,082,857) non-voting shares authorised for issue to Qatari Diar Real Estate Investment Company Q.C.S.C. Both classes of shares are issuable at USD 10 per share, with the excess above par values credited to a share premium reserve.

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

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

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

| | | | <i>31 December 2020</i> | | |
|-------------------|-----------------------------|------------------------------|----------------------------------|----------------------------------|----------------------|
| | <i>Number of shares</i> | <i>Par value USD</i> | <i>Share capital USD</i> | <i>Share premium USD</i> | <i>Total USD</i> |
| Shares: | | | | | |
| Voting shares | 144,450 | 0.01 | 1,445 | 1,443,056 | 1,444,501 |
| Non-voting shares | 29,082,857 | 0.01 | 290,828 | 219,109,175 | 219,400,003 |
| | <u>29,227,307</u> | | <u>292,273</u> | <u>220,552,231</u> | <u>220,844,504</u> |
| | | | <i>31 December 2019</i> | | |
| | <i>Number of shares</i> | <i>Par value USD</i> | <i>Share capital USD</i> | <i>Share premium USD</i> | <i>Total USD</i> |
| Shares: | | | | | |
| Voting shares | 144,450 | 0.01 | 1,445 | 1,443,056 | 1,444,501 |
| Non-voting shares | 29,082,857 | 0.01 | 290,828 | 219,109,175 | 219,400,003 |
| | <u>29,227,307</u> | | <u>292,273</u> | <u>220,552,231</u> | <u>220,844,504</u> |

QD US Real Estate Company
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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5 SHARE CAPITAL (CONTINUED)

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

| | <i>Voting shares</i> | <i>Non-voting shares</i> |
|---------------------------------------|--------------------------|------------------------------|
| <i>31 December 2020</i> | | |
| Share capital and share premium (USD) | 1,444,501 | 219,400,003 |
| Retained earnings (USD) | <u>490,770</u> | <u>98,809,268</u> |
| Equity at 31 December 2020 (USD) | <u>1,935,271</u> | <u>318,209,271</u> |
| No. of shares in issue | <u>144,450</u> | <u>29,082,857</u> |
| Net Asset Value per share (USD) | <u>13.40</u> | <u>10.94</u> |
| <i>31 December 2019</i> | | |
| Share capital and share premium (USD) | 1,444,501 | 219,400,003 |
| Retained earnings (USD) | <u>1,286,812</u> | <u>259,080,406</u> |
| Equity at 31 December 2019 (USD) | <u>2,731,313</u> | <u>478,480,409</u> |
| No. of shares in issue | <u>144,450</u> | <u>29,082,857</u> |
| Net Asset Value per share (USD) | <u>18.91</u> | <u>16.45</u> |

6 TAXATION

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

| | <i>2020 USD</i> | <i>2019 USD</i> |
|---------------------------------|---------------------|---------------------|
| Corporation tax: | | |
| Tax paid in other jurisdictions | <u>60,000</u> | <u>406,250</u> |
| | 60,000 | 406,250 |
| Deferred tax expense / (credit) | <u>(23,023,083)</u> | <u>44,567,030</u> |
| Total tax expense / (credit) | <u>(22,963,083)</u> | <u>44,973,280</u> |

UK Corporation tax is calculated at 19 percent effective 1 April 2020 (2019: 19 percent) of the estimated UK taxable profit for the year.

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

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As at 31 December 2020

6 TAXATION (CONTINUED)

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

| | 2020 USD | 2019 USD |
|--|---------------------|----------------------|
| (Loss) / profit before tax on continuing operations | (184,030,263) | 100,677,352 |
| Adjustment for non-deductible items | <u>157,967,167</u> | <u>(126,202,395)</u> |
| Allowable loss on continuing operations | <u>(26,063,096)</u> | <u>(25,525,043)</u> |
| Tax at the UK corporation tax rate of 19% (2019: 19.25%) | (4,954,888) | (4,849,758) |
| Tax effect of expenses that are not deductible in determining taxable profit | (23,023,083) | 44,566,717 |
| Change in unrecognised deferred tax assets | 5,271,577 | 5,238,399 |
| Withholding tax on dividend | 60,000 | 406,250 |
| Effect of different tax rates of operations in other jurisdictions | (420,022) | (388,328) |
| Non-deductible and disallowed items | <u>103,333</u> | <u>-</u> |
| Tax (credit) / expense for the year | <u>(22,963,083)</u> | <u>44,973,280</u> |

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

| | 2020 USD | 2019 USD |
|--|-------------------|--------------------|
| Deferred tax: | | |
| Arising on fair value gains | <u>87,125,089</u> | <u>110,148,172</u> |
| Total income tax recognised directly in equity | <u>87,125,089</u> | <u>110,148,172</u> |

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

| | 2020 USD | 2019 USD |
|----------------------------------|-------------------|--------------------|
| Deferred tax liabilities: | | |
| Joint ventures | <u>87,125,089</u> | <u>110,148,172</u> |

Deferred tax is arising from changes in the fair value of underlying property associated with the investment in joint ventures. Tax rate used was 21% (2019: 21%), the US tax rate applicable to the subsidiaries directly holding the investments in joint ventures.

7 ACCRUALS AND PROVISIONS

| | 2020 USD | 2019 USD |
|------------------------|------------------|----------------|
| Other accrued expenses | <u>1,372,493</u> | <u>449,353</u> |
| | <u>1,372,493</u> | <u>449,353</u> |

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8 RELATED PARTY LOANS

| | 2020 USD | 2019 USD |
|-------------------------|-------------------|-------------------|
| Balance brought forward | 31,356,058 | - |
| Advanced in the year | - | 50,830,000 |
| Interest charged | 1,499,256 | 1,426,541 |
| Repayments made | (8,502,500) | (20,900,483) |
| Balance carried forward | <u>24,352,814</u> | <u>31,356,058</u> |

| 2021 | Non-current USD | Current USD | Total USD |
|-----------|--------------------|-------------------|-------------------|
| Term loan | <u>4,307,157</u> | <u>20,045,657</u> | <u>24,352,814</u> |

| 2020 | Non-current USD | Current USD | Total USD |
|-----------|--------------------|-------------------|-------------------|
| Term loan | <u>13,219,171</u> | <u>18,136,887</u> | <u>31,356,058</u> |

In 2019, the group acquired an additional 11.05% interest in CCDC Residential Rental L.L.C., CCDC Office L.L.C., and CCDC Retail L.L.C. from Hines CCDC Partners, LLC. To fund the acquisition the Group entered into a loan agreement (promissory note) with Hines CCDC Partners, LLC. Interest is charged monthly on the outstanding principal at a fixed rate of 5.78% per annum. Under the promissory note all distribution declared to the Group from the relevant joint venture will be paid to Hines CCDC Partners, LLC until the earlier of the loan being repaid or the loan expiring on 6th May 2024.

The loan repayable within 12 months, 2-5 years and 5 years plus is detailed within Note 12 'Liquidity Risk'.

9 RETAINED EARNINGS

| | USD |
|-----------------------------|----------------------|
| Balance at 1 January 2019 | 204,663,146 |
| Net profit for the year | <u>55,704,072</u> |
| Balance at 31 December 2019 | 260,367,218 |
| Net loss for the year | <u>(161,067,180)</u> |
| Balance at 31 December 2020 | <u>99,300,038</u> |

Included within retained earnings as at 31 December 2020 is an amount of USD 129,123,979 (2019: profits USD 264,379,585) that represents unrealised losses arising on revaluation of the underlying property of the Group's investments in joint ventures.

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10 RELATED PARTY DISCLOSURES

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

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

| | 2020 USD | 2019 USD |
|-------------------------------------|-------------------|-------------------|
| Finance costs | <u>22,428,381</u> | <u>21,704,730</u> |
| General and administrative expenses | <u>1,652,054</u> | <u>2,024,398</u> |

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

| | 2020 | | 2019 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Receivables USD | Payables USD | Receivables USD | Payables USD |
| <i>Shareholder:</i> | | | | |
| Qatari Diar Real Estate Investment Company Q.C.S.C. (i) | <u>19,016,265</u> | <u>367,103,512</u> | <u>19,016,265</u> | <u>337,842,631</u> |
| <i>Other related parties:</i> | | | | |
| Qatari Diar UK Ltd. | - | 1,330 | - | 1,330 |
| QD Americas Inc. | - | - | - | 272,257 |
| QDREIC | - | 64,232 | - | 64,232 |
| QDLLP | - | - | - | 80,095 |
| | <u>-</u> | <u>65,562</u> | <u>-</u> | <u>417,914</u> |
| | <u>19,016,265</u> | <u>367,169,074</u> | <u>19,016,265</u> | <u>338,260,545</u> |

Note:

- (i) Amounts due to related parties include facilities granted by Qatari Diar Real Estate Investment Company Q.C.S.C. amounting to USD 592,000,000 of which the Group has drawn down USD 367,167,744 (2019: USD 337,906,863). Amount owing are due in one installment on 30 November 2021 or such extended date as agreed by the lender at its discretion. The facility has an effective date of 1 December 2016 and carries interest at 3 month USD Libor plus 5.5% per annum. On the 15th November 2021 the loan repayment date was extended to 30th November 2026.

- (ii) Related party loan has been included in note 8.

| | 2020 USD | 2019 USD |
|--|--------------------|--------------------|
| Amounts due to related parties presented in the consolidated statement of financial position as: | | |
| <i>Amounts due from related parties</i> | | |
| Current portion | <u>19,016,265</u> | <u>19,016,265</u> |
| | <u>19,016,265</u> | <u>19,016,265</u> |
| <i>Amounts due to related parties</i> | | |
| Current portion | 65,562 | 417,914 |
| Non-current portion | <u>367,103,512</u> | <u>337,842,631</u> |
| | <u>367,169,074</u> | <u>338,260,545</u> |

10 RELATED PARTY DISCLOSURES (CONTINUED)

Terms and conditions of transactions with related parties

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

Compensation of key management personnel

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

11 COMMITMENTS AND CONTINGENCIES

At 31 December 2020, the Group has no contingent liabilities or capital commitments (2019: USD Nil).

12 FINANCIAL RISK MANAGEMENT

Objective and policies

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

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

Market risk

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

Interest rate risk

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

| | 2020 USD | 2019 USD |
|---|--------------------|--------------------|
| <i>Variable rate financial liabilities:</i> | | |
| Amounts due to related parties | <u>367,103,512</u> | <u>337,842,631</u> |

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12 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

Sensitivity analysis of variable rate financial instruments

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

| | <i>100 bp increase USD</i> | <i>100 bp decrease USD</i> |
|--|------------------------------------|------------------------------------|
| <i>Variable rate financial liabilities</i> | | |
| 2020 | <u>(3,671,035)</u> | <u>3,671,035</u> |
| 2019 | <u>(3,378,426)</u> | <u>3,378,426</u> |

Currency risk

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

There are immaterial financial instruments exposed to foreign currency fluctuations at the reporting date (2019: USD Nil).

Credit risk

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

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

Liquidity risk

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

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

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

| 2020 | <i>Less than 1 year USD</i> | <i>1 to 5 years USD</i> | <i>> 5 years USD</i> | <i>Total USD</i> |
|--------------------------------|-------------------------------------|---------------------------------|-----------------------------|---------------------------|
| Related party Loan | 20,045,657 | 4,307,157 | - | 24,352,814 |
| Amounts due to related parties | 65,562 | 367,103,512 | - | 367,169,074 |
| Other accrued expenses | <u>1,372,493</u> | <u>-</u> | <u>-</u> | <u>1,372,493</u> |
| Total | <u>21,483,712</u> | <u>371,410,669</u> | <u>-</u> | <u>392,894,381</u> |

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12 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (Continued)

| 2019 | <i>Less than 1 year USD</i> | <i>1 to 5 years USD</i> | <i>> 5 years USD</i> | <i>Total USD</i> |
|--------------------------------|-------------------------------------|---------------------------------|-----------------------------|----------------------|
| Related party Loan | 18,136,887 | 13,219,171 | - | 31,356,058 |
| Amounts due to related parties | 417,914 | 337,842,631 | - | 338,260,545 |
| Other accrued expenses | 449,353 | - | - | 449,353 |
| Total | <u>19,004,154</u> | <u>351,061,802</u> | <u>-</u> | <u>370,065,956</u> |

Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in business conditions. No changes were made in the objectives, policies or processes during the period ended 31 December 2020 and 2019.

Capital comprises share capital, share premium and retained earnings and is measured at 31 December 2020 USD 320,144,542 (2019: USD 481,211,722).

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

14 SUBSEQUENT EVENTS DISCLOSURES AND COVID-19 IMPACT

The loan with Qatari Diar Real Estate Investment Company Q.C.S.C. was extended on the 15th November 2021 and is now payable by the 30th November 2026. There are no other significant subsequent events affecting the financial statements. The impact of COVID-19 is assessed below.

The outbreak of Novel Coronavirus (COVID 19) continues to progress and evolve. Therefore, it is challenging now, to predict the full extent and duration of its business and economic impact. The extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, such as the transmission rate of the coronavirus and the extent and effectiveness of containment actions taken. Given the ongoing economic uncertainty, a reliable estimate of the impact cannot be made at the date of authorisation of these consolidated financial statements. These developments could impact our future financial results, cash flows and financial condition.