远大住工

長沙遠大住宅工業集團股份有限公司
Changsha Broad Homes Industrial Group Co., Ltd.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 2163

GLOBAL OFFERING

Joint Sponsors

CICC 中金公司

中信建投國際 CHINA SECURITIES INTERNATIONAL

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招銀国际 CMB INTERNATIONAL

農銀國際 ABC INTERNATIONAL

建银国际 CCB International

IMPORTANT: If you are in any doubt about the contents of this prospectus, you should obtain independent professional advice.

Changsha Broad Homes Industrial Group Co., Ltd.
長沙遠大住宅工業集團股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

Number of Offer Shares under the Global Offering	:	**121,868,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**12,187,200 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**109,680,800 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$12.48 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**2163**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to the accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix IX – Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Wednesday, October 30, 2019 and, in any event not later than Tuesday, November 5, 2019. The Offer Price will be not more than HK$12.48 per Offer Share and is currently expected to be not less than HK$9.68 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK$12.48 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$12.48 per Offer Share. If, for any reason, the Offer Price is not agreed by Tuesday, November 5, 2019 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) with our consent may, where they consider it appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$9.68 to HK$12.48) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.bhome.com.cn and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. For details, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

We are incorporated, and most of our businesses are operated, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors," "Appendix VI-Summary of Certain Legal and Regulatory Matters" and "Appendix VII-Summary of the Articles of Association". Potential investors should consider carefully all the information set out in this prospectus and, in particular, the matters discussed in the abovementioned sections.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and to QIBs in the United States pursuant to Rule 144A of the U.S. Securities Act.

Thursday, October 24, 2019

The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable[1] of the Hong Kong Public Offering.

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2]	**11:30 a.m.** on **Tuesday, October 29, 2019**
Application lists of the Hong Kong Public Offering open[3]	**11:45 a.m.** on **Tuesday, October 29, 2019**
Latest time to lodge **WHITE** and **YELLOW** Application Forms	**12:00 noon** on **Tuesday, October 29, 2019**
Latest time to give **electronic application instructions** to HKSCC[4]	**12:00 noon** on **Tuesday, October 29, 2019**
Latest time to complete payment for **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	**12:00 noon** on **Tuesday, October 29, 2019**
Application lists of the Hong Kong Public Offering close	**12:00 noon** on **Tuesday, October 29, 2019**
Expected Price Determination Date[5]	**Wednesday, October 30, 2019**

Announcement of:

- the Offer Price;
- the indication of the level of interest in the International Offering;
- the indication of the level of interest in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares;

to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.bhome.com.cn**[6] on or before	**Tuesday, November 5, 2019**
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the section headed "How to Apply for Hong Kong Offer Shares") from	**Tuesday, November 5, 2019**
Results of allocations in the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function from	**Tuesday, November 5, 2019**
Despatch of H Share certificates on or before	**Tuesday, November 5, 2019**
and/or White Form e-Refund payment instructions and/or refund cheques (if applicable) on or before[7][8]	**Tuesday, November 5, 2019**
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence on	**Wednesday, November 6, 2019**

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

(2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, October 29, 2019, the application lists will not open on that day. See "How to apply for Hong Kong Offer Shares—10. Effect of bad weather on the opening of the application lists." If the application lists do not open and close on Tuesday, October 29, 2019, the dates mentioned in this section "Expected Timetable" may be affected. An announcement will be made by us in such event.

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section "How to Apply for Hong Kong Offer Shares—6. Applying by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

(5) We expect to determine the Offer Price by agreement with the Joint Global Coordinators (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, October 30, 2019 and, in any event, not later than Tuesday, November 5, 2019. If, for any reason, the Offer Price is not agreed among the Joint Global Coordinators (on behalf of the Underwriters) and us by Tuesday, November 5, 2019, the Hong Kong Public Offering and the International Offering will not proceed.

(6) The website, and all of the information contained on the website, does not form part of this prospectus.

(7) H Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional in all respects, and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Wednesday, November 6, 2019. Investors who trade H Shares on the basis of publicly available allocation details before the receipt of H Share certificates or before the H Share certificates becoming valid certificates of title do so entirely at their own risk.

(8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications, and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s), may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

You should read carefully the sections entitled "Underwriting", "How to Apply for Hong Kong Offer Shares", and "Structure of the Global Offering" in this prospectus, for details relating to the structure and conditions of the Global Offering, how to apply for Hong Kong Offer Shares and the expected timetable, including, among other things, conditions, effect of bad weather and the despatch of refund cheques and H Share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Changsha Broad Homes Industrial Group Co., Ltd., solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained in our website, located at www.bhome.com.cn, does not form part of this prospectus.

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*The above pictures were taken in the construction site of Lugu Town, the residential building project located in Changsha, Hunan Province. The construction of the project was completed in September 2018.

LOCATIONS OF OUR WHOLLY-OWNED FACTORIES AND JOINT FACTORIES

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendixes hereto, which constitute an integral part of this prospectus, before you decide to invest in our H Shares.

There are risks associated with any investment. For details of the particular risks in investing in our H Shares, please refer to the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our H Shares.

OVERVIEW

We are the pioneer and leader in the industrialization of construction industry in the PRC. Leveraging on our strong technology capability accumulated throughout years and continuous innovation, research and development efforts, we have become a platform to provide comprehensive solutions of industrialization of construction industry in China, which comprises globalized, scalable, professionalized and intelligent manufacturing of prefabricated buildings and services.

We conduct our business in three segments, namely PC unit manufacturing business, PC equipment manufacturing business and construction contracting business. In our PC unit manufacturing business, we provide customers with comprehensive solutions for prefabricated construction, including PC unit design, manufacturing and assembling consultation. In our PC equipment manufacturing business, we sell PC equipment and provide various related services to our customers, substantially all of whom are currently the Joint Factories in which we hold minority interest. The PC equipment sold by us is manufactured by OEM service providers based on our design and production methods whereas we did not participate in the manufacturing work of the PC equipment. In our construction contracting business, we, as a general construction contractor, perform the construction contract in accordance with designs and timetable provided by architectural design organization and the project owner.

We established a dual-engine driven model with a combination of wholly-owned factories and Joint Factories to achieve a rapid asset-light expansion across the country. We conduct our PC unit manufacturing business through our wholly-owned factories strategically located in the vicinity areas of the major cities or provincial capital cities where scalable market demand for PC units lies. Due to the economic transportation radius of 150 km of a PC factory, it requires a widespread network of PC factories across the country in order to support the business growth and capture the growth of various local markets. As such, we initiated Broad Homes United Program as another engine of our business expansion to quickly capture the local market with limited capital commitment at the early stage of the market development. Under such program, we cooperate with selective local partners with abundant resources who become the majority shareholder to set up Joint Factories to manufacture PC units in regions which in our view have less scalable market demands for PC units. As a minority shareholder, we usually hold 35% equity interest in the Joint Factories, which are recorded as either our associates or financial assets at fair value through profit or loss in our financial statements. Through sale of PC equipment and provision of various services to the Joint Factories, we are able to promote our management system for PC unit manufacturing. As such, Broad Homes United Program not only enables us to expand our footprint nationwide but also drives the sale of our PC equipment to the Joint Factories and the development of our PC equipment manufacturing business segment. Please refer to the section headed "Business—Our PC Unit Manufacturing Business—Broad Homes United Program" for details.

We are committed to establishing a digitized system covering the entire industry chain of construction in which various elements of the industry chain can be defined and the entire construction process, from design and manufacturing to construction, operation and maintenance, can be simulated in the cyber space by adopting information technology. Such process determines the variables in the construction process, and is driven by data through IoT to guide the operation and implementation of construction process in the physical space. Through bridging the gap between construction industry and industrialized operation, we have transformed the traditional scattered construction industry, which relies on handcrafts of workers, into modern industrialized manufacturing, which is intensive and efficient. Moreover, together with other market players along the industry chain, we have formulated standards of construction industrialization to establish an industry ecosphere.

We were the largest prefabricated construction service provider equipped with capabilities in both PC unit manufacturing and PC equipment manufacturing in the world in terms of revenue in 2018. We were the largest PC unit manufacturer in the PRC in terms of revenue in 2018 with a market share of 13.0%, and the largest PC equipment manufacturer in the PRC in terms of revenue in 2018 with a market share of 38.3%, according to Frost & Sullivan. As of April 30, 2019, we had 15 wholly-owned PC factories and contracted to invest in 85 Joint Factories, covering 100% (in terms of number) of cities with GDP over RMB1,000 billion in 2018 and 65% (in terms of number) of cities with GDP over RMB100 billion in 2018 across China. As of April 30, 2019, we had invested in 60 Joint Factories and paid a total capital contribution of RMB1,752.4 million, as well as contracted to invest in but have yet to make the capital contribution to 25 Joint Factories. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we made capital contribution of RMB355.6 million, RMB771.0 million, RMB450.0 million and RMB45.8 million to the Joint Factories, respectively; and as of December 31, 2016, 2017 and 2018 and April 30, 2019, we had made capital contribution to 19, 41, 59 and 60 Joint Factories, respectively. As of December 31, 2018, the total production capacity of our wholly-owned PC factories and the Joint Factories was approximately 5.3 million cubic meters, accounting for approximately 16.1% of the overall production capacity of the PC unit market in China. We are capable of developing the whole set of PC equipment and conducting overall planning for the construction of PC unit manufacturing factories.

We were the first in the industry to possess a technology system covering the entire industry chain with proprietary intellectual property. Early in 1996, our founder and management team entered the field of construction industrialization. We were also among the first batch of enterprises having been named as National Housing Industrialization Bases (國家住宅產業化基地), and the only prefabricated construction enterprise having been selected for the Pilot Demonstration Project of Intelligent Manufacturing 2018 (2018 智能製造試點示範項目) by the MIIT. With over 20 years of experience of our founder and management team in the industry, we have formed partnership with eight of the top 10 real estate developers (in terms of saleable area in 2017 according to Frost & Sullivan) and six of the top 10 construction companies (in terms of aggregate amount of contract value in 2017 according to Frost & Sullivan). We have supplied PC units exclusively to several landmark projects in China.

During the Track Record Period, our revenue was generated from three segments:

- ***PC Unit Manufacturing***

We provide customers with comprehensive solutions for prefabricated construction, including PC unit design, manufacturing and assembling consultation. Leveraging on over 20 years of experience of our founder and management team, we have developed PC-CPS, an intelligent manufacturing management system, which has integrated all aspects of our business operation into one cyber system where data and information is gathered and shared among different business functions and operations are driven and conducted automatically by the system. As such, we are able to digitize our business operation, allocate production resources efficiently and optimize our production capacity to achieve mass production of PC units and supply to various customers for various projects based on the construction progress of each project. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the revenue from the PC unit manufacturing business amounted to RMB441.9 million, RMB891.2 million, RMB854.3 million and RMB350.7 million, respectively, accounting for 26.4%, 46.0%, 37.7% and 54.3% of our total revenue respectively; the gross profit from the PC unit manufacturing business amounted to RMB177.6 million, RMB284.5 million, RMB203.6 million and RMB71.8 million respectively, accounting for 29.5%, 40.4%, 28.1% and 44.1% of our total gross profit respectively.

- ***PC Equipment Manufacturing***

Under Broad Homes United Program, we, after taking into account the market needs, cooperate with selective local partners to set up the Joint Factories. As part of our Broad Homes United Program, we sell to the Joint Factories PC equipment specifically designed by us for the production of PC units that are well compatible with our PC-CPS, and provide various value-added services. The major purpose for Broad Homes United Program is to quickly capture the local market with limited capital commitment at the early stage of the market development and promote our management system for PC unit manufacturing. We believe our production equipment and management system is one of the key competitive advantages against other competitors in PC unit manufacturing market, and through collaboration with JF Partners, we are able to enhance our presence in the local market and empower the Joint Factories to compete against the competitors in the local market by leveraging on the strong production capability of our PC equipment and our management system. As such, during the Track Record Period, substantially all of our PC equipment was sold to the Joint Factories. In the future, we may consider selling our PC equipment to other PC manufacturers when the market condition and the competition situation allow. The PC equipment sold by us is manufactured by OEM service providers based on our design and production methods but we did not participate in the manufacturing work of the PC equipment. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the revenue from the PC equipment manufacturing business amounted to RMB330.4 million, RMB836.2 million, RMB1,226.3 million and RMB218.4 million, respectively, accounting for 19.8%, 43.2%, 54.0% and 33.8% of our total revenue respectively; the gross profit from the PC equipment manufacturing business amounted to RMB135.2 million, RMB361.5 million, RMB466.4 million and RMB72.1 million, respectively, accounting for 22.4%, 51.2%, 64.4% and 44.3% of our total gross profit respectively. Since some of the Joint Factories are recorded as our associates, our sales and purchases with them are recognized as related party transactions according to IAS 24 Related Party Disclosures. Unrealized profits and losses shall be deducted from the revenue and cost of sales we recorded from such related party transactions based on our shareholding percentage in the relevant associates according to IAS 28 Investments in Associates and Joint Ventures.

- ***Construction Contracting***

We participate in the construction of prefabricated buildings as a general construction contractor in selective projects. During the years from 2012 to 2015, we mainly acted as a general construction contractor in prefabricated building construction projects, before we decided to focus on

PC unit and equipment manufacturing business in 2016. This focus change is primarily driven by our intention to concentrate our strengths on PC unit and PC equipment manufacturing and further develop our PC unit design and production management system. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the revenue from the construction contracting business amounted to RMB899.2 million, RMB208.3 million, RMB188.5 million and RMB76.9 million, respectively, accounting for 53.8%, 10.8%, 8.3% and 11.9% of our total revenue respectively; the gross profit from the construction contracting business amounted to RMB289.6 million, RMB58.9 million, RMB54.5 million and RMB19.0 million, respectively, accounting for 48.1%, 8.4%, 7.5% and 11.6% of our total gross profit respectively.

For more details of our business, please refer to the section headed "Business".

For the year ended December 31, 2016, our revenue was mainly derived from construction contracting business, which accounted for 53.8% of our total revenue while PC unit manufacturing business and PC equipment manufacturing business accounted for 26.4% and 19.8% of our total revenue, respectively. We have decided to focus on PC unit manufacturing and PC equipment manufacturing business since 2016. As such, for the year ended December 31, 2017, the revenue generated from construction contracting business dropped to 10.8% of the total revenue, while the revenue generated from PC unit manufacturing business and PC equipment manufacturing business accounted for 46.0% and 43.2% of the total revenue, respectively. For the year ended December 31, 2018, the revenue generated from construction contracting business further dropped to 8.3% of the total revenue of the year, while revenue generated from PC unit manufacturing business and PC equipment manufacturing business accounted for 37.7% and 54.0% of the total revenue for the year, respectively. Due to the fast expansion of the Joint Factories network, the revenue from the PC equipment manufacturing business accounted for a larger percentage in our total revenue than the revenue generated from the PC unit manufacturing business in 2018. For the four months ended April 30, 2019, due to increased sales volume of our PC units as a result of the growth of the market, the revenue generated from the PC unit manufacturing business accounted for 54.3% of the total revenue for the period while the revenue generated from the PC equipment manufacturing business and construction contracting business accounted for 33.8% and 11.9% of the total revenue for the period respectively.

Driven by the large demand for PC units and PC equipment to be generated along with the fast growth of prefabricated construction industry, we expect (i) our revenue from PC unit manufacturing business will continue to grow in the next few years, and gradually become the major component of our revenue; (ii) the revenue from our PC equipment manufacturing business will increase steadily but with decreasing proportion in our total revenue; and (iii) the revenue and the share of our revenue from the construction contracting business will remain at the similar level or less as we expect to continue to focus on the PC unit manufacturing business and the PC equipment manufacturing business and will only selectively undertake construction contracting projects that may require innovated construction technology to facilitate our research and development on intelligent construction sites in the future.

PRODUCTION FACILITIES, CAPACITY AND UTILIZATION

As of April 30, 2019, we had 15 wholly-owned PC factories with 55.5 production lines for PC units. In the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the annual capacity of our PC unit production line was 1,215,000 cubic meters, 1,545,000 cubic meters, 1,665,000 cubic meters and 1,665,000 cubic meters (on annualized basis), respectively. The average utilization rate of our PC production lines is approximately 25.8%, 27.6%, 17.4% and 24.9% for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, respectively. The utilization rate is calculated as dividing the volume of PC unit produced in the period by the production capacity of the same period.

RESEARCH AND DEVELOPMENT

We believe that our strong research and development capabilities are fundamental to our leading market position and are key to maintaining such position and sustainable development. In particular, we focus on digitalization of manufacturing and management process as well as construction, upgrading equipment for PC unit manufacturing, developing new products and improving foundational technologies in prefabricated constructions. Our founder and management team entered the field of construction industrialization in 1996 and have researched on the prefabricated construction technologies for over 20 years. Through years of research, extensive verification experiments on newly developed PC units with collaboration with professional research institutions, actual operation of multiple factories and extensive experience from a large number of construction projects in China, we have developed a set of technologies of prefabricated construction as well as the capability of designing PC equipment, and established the whole-process digitized management system.

As of April 30, 2019, we owned eight pieces of software copyrights that we consider material to our business and 515 patents, including 42 invention patents, 404 utility model patents and 69 appearance design patents. Furthermore, as of April 30, 2019, we were in the process of applying for 439 patents, including 223 invention patents and 212 utility model patents and four appearance design patents. For more details please refer to the section headed "Business—Research and Development".

BACKLOG AND NEW CONTRACT VALUE

Backlog

Backlog represents our estimate of the contract value of products or services that remain to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming that the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles. As of April 30, 2019, our backlog was approximately RMB5,185.1 million.

New Contract Value

New contract value represents the aggregate value of contracts that we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our total new contract value was approximately RMB2,440.0 million, RMB3,562.3 million, RMB4,618.3 million RMB1,241.9 million, respectively.

SALES AND MARKETING

Our major clients are real estate developers, government investment vehicles and construction companies in the PRC in PC unit manufacturing business and construction contracting business, and the Joint Factories in PC equipment manufacturing business. We maintain good relationships with these clients. In addition, we have solid cooperative relationships with top-notch PRC property developers, such as Hefei Vanke, Chenzhou Country Garden and Hefei Gemdale and large-scale construction companies, such as China State Construction, which enable us to secure stable and large-scale orders. In particular, we have built up a long term relationship for over three years with Hefei Vanke. Our clients for sales of PC equipment are mainly the Joint Factories which were established by us and our local partners under Broad Homes United Program.

We rely on our in-house sales and marketing team to market and sell our PC units in the PRC. We have local marketing teams in cities where our wholly-owned PC factories are located. For our PC unit manufacturing business and construction contracting business, we participate in tenders to win contracts. The sales of PC equipment to the Joint Factories were part of our joint venture arrangement under Broad Homes United Program and thus we do not separately maintain a sales and marketing team for sales of PC equipment.

During the Track Record Period, we only attended bidding process for our PC unit manufacturing business[(1)]. The table below sets forth the number of bids submitted for tendering, the number of projects secured through tender process and the tender success rate for the indicated periods:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
Number of bids submitted for tendering	81	224	532	97
Number of projects secured through tender process	43	82	212	42
Tender success rate[(2)]	53.1%	36.6%	39.8%	43.3%

Notes:

(1) In order to focus on PC unit manufacturing and PC equipment manufacturing business, we did not participate in any bidding process for our construction contracting business during the Track Record Period; we did not participate in any bidding process for our PC equipment manufacturing business as substantially all of our PC equipment was sold to the Joint Factories.

(2) Our tender success rate is calculated based on the total number of projects we secured through the public tender process to the total number of projects that we participated in a tender process to bid for.

For more details, please refer to the section headed "Business—Sales and Marketing".

CLIENTS

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our revenue from the five largest customers amounted to RMB678.0 million, RMB378.8 million, RMB464.4 million and RMB282.3 million, accounting for 40.6%, 19.6%, 20.5% and 43.7% of our total revenue, respectively; our revenue from the top customer amounted to RMB167.7 million, RMB90.3 million, RMB109.5 million and RMB94.1 million, representing 10.0%, 4.7%, 4.8% and 14.6% of our total revenue, respectively.

For more details, please refer to the section headed "Business—Clients".

SUPPLY

The major raw materials for our PC unit manufacturing include cement, rebar and gravel. During the Track Record Period, we primarily purchased raw materials from third-party suppliers in the PRC. We manage our supplies and procurement through our PC-CPS supply chain module. The key equipment comprising the production lines, including the PC equipment we sold to the Joint

Factories, is produced by OEM service providers based on our design. During the Track Record Period, we primarily engaged third-party equipment manufacturers in the PRC for OEM services.

For our construction contracting business, we engage third party subcontractors to provide specialized construction services on the projects we undertake as a general contractor.

For the years ended December 31, 2016, 2017, 2018 and the four months ended April 30, 2019, the purchases attributable to our five largest suppliers and subcontractors amounted to RMB286.1 million, RMB599.0 million, RMB411.4 million and RMB94.6 million, representing 19.3%, 30.3%, 23.7% and 15.1% of our total purchases, respectively; while the purchases attributable to our largest supplier amounted to RMB71.9 million, RMB238.1 million, RMB124.7 million and RMB22.3 million, representing 4.8%, 12.0%, 7.2% and 3.6% of our total purchases, respectively.

For more details of our procurement and suppliers, please refer to the section headed "Business—Supply".

COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors:

- We are the pioneer and leader in the industry with advanced and unparalleled technology systems, brand premium and client strengths;
- We, as a market leader, are well positioned to seize the opportunities arising from the explosive growth in prefabricated construction industry in the PRC;
- We are the first to utilize the whole-process digitalized information system in the prefabricated construction industry in China to realize the intelligent manufacturing driven by massive data;
- We have established a nationwide network under our dual-engine driven model with combination of wholly-owned factories and Joint Factories, so as to achieve a rapid asset-light expansion while maintaining our core values;
- Our continuous efforts in technology innovation have driven our development and led the evolvement of our industry and its standards; and
- We have a visionary founder and experienced management team, who have built a quality-oriented corporate culture.

For more details, please refer to the section headed "Business—Our Competitive Strengths".

BUSINESS STRATEGIES

To continue to grow our business, we intend to implement the following business strategies:

- Continue to invest in domestic regional production centers and Joint Factories;
- Upgrade our digital intelligent platform;
- Continue to focus on strategic clients; and
- Expand in overseas markets.

For more details, please refer to the section headed “Business—Our Strategies”.

SHAREHOLDING STRUCTURE AND CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, our Company was controlled as to 74.79% by Chairman Zhang and 25.21% by several pre-IPO investors. Chairman Zhang directly controlled approximately 46.91% of our share capital, and indirectly controlled approximately 27.88% of our share capital through Broad Lingmu (a company wholly owned by Chairman Zhang), Daxin Investment (a limited partnership whose general partner is Chairman Zhang, holding 66% partnership interest in Daxin Investment), Dazheng Investment (a company owned as to 71.20% by Chairman Zhang, directly and indirectly) and Fuyang Shangjiu (a limited partnership whose limited partner is Broad Lingmu, holding approximately 99.33% partnership interest in it), respectively. The pre-IPO investors were introduced in our Company primarily through the 2013 Capital Increase, the acquisition of our Shares from Broad Lingmu and the 2017 Capital Increase. For details, please refer to the sections headed “History and Development” and “Relationship with the Controlling Shareholders.”

Immediately following completion of the Global Offering, Chairman Zhang, will, directly and indirectly, control approximately 56.09% of our share capital, assuming that no Over-allotment Option is exercised. As such, Chairman Zhang and the entities controlled by him, namely Broad Lingmu, Dazheng Investment, Daxin Investment and Fuyang Shangjiu, will continue to be the Controlling Shareholders of the Company.

We entered into a non-competition agreement with Chairman Zhang and Ms. Liu on October 11, 2019, pursuant to which Chairman Zhang and Ms. Liu made non-competition undertakings. For details, please refer to the section headed “Relationship with the Controlling Shareholders”.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth the summary of our consolidated statements of comprehensive income for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue	1,671,495	1,935,689	2,269,129	355,308	646,009
Cost of sales	(1,069,012)	(1,230,759)	(1,544,582)	(251,288)	(483,173)
Gross profit	602,483	704,930	724,547	104,020	162,836
Valuation gains on investment properties	—	13,966	53,871	40,468	—
Other income	50,825	53,069	32,044	15,504	11,624
Sales and distribution expenses	(80,309)	(110,611)	(111,746)	(30,771)	(61,741)
General and administrative expenses	(161,226)	(174,037)	(229,182)	(58,034)	(68,449)
Research and development expenses	(96,383)	(115,063)	(125,971)	(39,690)	(38,039)
Profit from operations	315,390	372,254	343,563	31,497	6,231
Finance costs	(55,322)	(77,382)	(72,412)	(24,858)	(34,098)
Share of profits less losses of associates	(17,120)	(69,731)	(98,321)	(38,451)	(26,305)
Gains on disposal of subsidiaries	—	13,509	108,439	—	—
Gains on loss of significant influence in associates	—	—	261,494	70,557	87,343
Gains on disposal of partial interest in associates	—	—	—	—	7,580
Gains on disposal of associates	—	—	11,506	11,506	1
Profit before tax	242,948	238,650	554,269	50,251	40,752
Income tax	(45,302)	(70,259)	(87,965)	(12,790)	(5,535)
Profit for the year/period	197,646	168,391	466,304	37,461	35,217

From 2016 to 2018, our revenue increased from RMB1,671.5 million to RMB2,269.1 million, at a CAGR of 16.5%; and our gross profit increased from RMB602.5 million to RMB724.5 million, at a CAGR of 9.7%. For the four months ended April 30, 2019, we had revenue of RMB646.0 million, representing an increase of 81.8% as compared to the four months ended April 30, 2018; and we had gross profit of RMB162.8 million, representing an increase of 56.5% as compared to the four months ended April 30, 2018.

During the Track Record Period, we recorded government grants of RMB56.7 million, RMB56.1 million, RMB34.2 million and RMB11.0 million, respectively, representing 28.7%, 33.3%, 7.3% and 31.3% of our profit for the periods respectively. The government grants primarily include the immediate refund of 50% of VAT payment for certain new products and other grants from local and central government, such as industry development funds and government subsidies for development and construction of property, plant and equipment.

We recorded gains on disposal of a subsidiary of RMB13.5 million in 2017 (representing 8.0% of our profit for the year of 2017) as we lost control of a subsidiary and RMB108.4 million in 2018 (representing 23.3% of our profit for the year of 2018) for disposal of three subsidiaries. In 2016 and 2017, no gains or losses on disposal of associates were recorded. In 2018, we disposed of one associate as we ceased to produce one of our products, and thus recorded gains on disposal of associate of RMB11.5 million, representing 2.5% of our profit for the year in 2018. For the year ended December 31, 2018 and the four months ended April 30, 2019, we recorded gains on loss of significant influence in associates of RMB261.5 million and RMB87.3 million respectively, due to the remeasurement of Joint Factories that we had made capital contribution to as financial assets at fair value through profit or loss in the respective period. For the four months ended April 30, 2019, we recorded gains on disposal of partial interest in associate of RMB7.6 million (representing 21.5% of our profit for the four months ended April 30, 2019) as we disposed part of our equity interest in one Joint Factory to a third party; and we recorded gains on disposal of associates of RMB512 due to the deregistration of one associate.

For the years ended December 31, 2016, 2017 and 2018, our gross profit margin was 36.0%, 36.4% and 31.9% respectively. Our gross profit margin decreased from 36.4% in 2017 to 31.9% in 2018, primarily in connection with PC unit manufacturing business and PC equipment manufacturing business. The gross profit margin decreased from 31.9% in 2017 to 23.8% in 2018 for our PC unit manufacturing business and from 43.2% in 2017 to 38.0% in 2018 for our PC equipment manufacturing business, primarily due to the increase in prices of raw materials including steel, cement and gravel. During 2016 and 2017, we had a relatively stable gross profit margin. During the four months ended April 30, 2019, we had a gross profit margin of 25.2%, representing a decrease from 29.3% for the four months ended April 30, 2018, primarily due to the decrease of gross profit margin of PC equipment manufacturing business, as a result of decreased average selling price caused by a discounted selling price we offered to one existing Joint Factory to expand its production capacity.

For the years ended December 31, 2016, 2017 and 2018, our profit for the year amounted to RMB197.6 million, RMB168.4 million and RMB466.3 million, respectively. For the year ended December 31, 2018, our profit for the year increased to RMB466.3 million from RMB168.4 million for the year ended December 31, 2017, primarily due to the recognition of gains on loss of significant influence in associates of RMB261.5 million and gains on disposal of subsidiaries of RMB108.4 million, while no such gains were recognized in 2017, and partially offset by an increase in general and administrative expenses. Our profit for the year slightly decreased from RMB197.6 million for the year ended December 31, 2016 to RMB168.4 million for the year ended December 31, 2017, primarily due to an increase in the share of net loss of associates as we increased our investment in the Joint Factories for the development of Broad Homes United Program while many of these Joint Factories were still in the early stage of development. For the four months ended April 30, 2018 and 2019, we had a profit for the period of RMB37.5 million and RMB35.2 million, remaining relatively stable.

Non-IFRS Measure

We recorded non-routine items during the Track Record Period. To supplement our consolidated financial statements which are presented in accordance with IFRS, we also present profit excluding the non-routine items and corporate income tax effect ("**Adjusted Net Profit or Loss**") as a non-IFRS measure for the investors to have a better understanding of as well as an easy comparison of our profit during the Track Record Period without taking into account the non-routine items.

The table below sets forth the Adjusted Net Profit or Loss of our Company as adjusted by excluding the gain on disposal of subsidiaries, gain on loss of significant influence in associates and gains on disposal of partial interest in associates, gains on disposal of associates during the Track Record Period, taking into consideration the effect of corporate income tax:

	For the year ended December 31,			For the four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Gross Profit	602,483	704,930	724,547	104,020	162,836
Profit for the year/period	197,646	168,391	466,304	37,461	35,217
Adjustments for:					
Gains on disposal of subsidiaries	—	13,509	108,439	—	—
Gains on loss of significant influence in associates	—	—	261,494	70,557	87,343
Gains on disposal of partial interest in associates	—	—	—	—	7,580
Gains on disposal of associates	—	—	11,506	11,506	1
Corporate income tax impact	—	(2,026)	(12,726)	—	—
Non-IFRS Measure					
Adjusted Net Profit or (Loss)	197,646	156,908	97,591	(44,602)	(59,707)

As affected by the seasonality, we had an Adjusted Net Loss of RMB59.7 million and RMB44.6 million, respectively, for the four months ended April 30, 2019 and 2018, as opposed to an Adjusted Net Profit of RMB97.6 million for the year ended December 31, 2018. The increase in our Adjusted Net Loss during the four months ended April 30, 2019 as compared to the four months ended April 30, 2018 was primarily due to an increase in sales and distribution expenses by 100.6%, principally as a result of a significant increase in freight fee and a decrease in valuation gains on investment properties. The Adjusted Net Profit decreased from RMB156.9 million for the year ended December 31, 2017 to RMB97.6 million for the year ended December 31, 2018, primarily due to an increase in general and administrative expenses and an increase in share of net loss of associates, which was primarily attributable to the fact that the Joint Factories were in the early stage of development and less profits were generated therefrom. The Adjusted Net Profit decreased from RMB197.6 million for the year ended December 31, 2016 to RMB156.9 million for the year ended December 31, 2017, primarily due to the increased share of net loss of associates as we increased our investment in the Joint Factories for the development of Broad Homes United Program while many of these Joint Factories were still in the early stage of development.

Joint Factories

During the Track Record Period, we have extended our footprint in the cities and regions across the PRC by establishing Joint Factories to capture the opportunity to promote our brand and the production and management system of PC unit manufacturing. In 2017 alone, we entered into joint venture agreements for 44 new Joint Factories in aggregate. The revenue generated from the PC unit manufacturing business increased by 101.7% in 2017 from 2016. With the quick expansion of the network of Joint Factories and the rapid growth of business volume of wholly-owned PC factories, we encountered increasing challenges in participating in the management and decision-making of each Joint Factory through appointing director and arranging experienced management personnel. Therefore, we explored and sought for a management model for Joint Factories which is suitable for our current development. In late 2017, we adjusted the management model of Joint Factories and formulated the "two-level management strategy" on Joint Factories. Since early 2018, we started to implement this "two-level management strategy". Subject to the consent of the JF Partners, we withdraw from participating in the decision-making process of the key operational management of certain Joint Factories, to better respond to the challenges imposed on our limited management resources with our implementation of Broad Homes United Program.

The details of our "two-level management strategy" are set out as follows:

- Level one: for Joint Factories (i) located in or nearby cities or regions with GDP ranging from RMB500 billion to RMB1,000 billion; (ii) whose JF Partners strongly expect us to be more involved in the decision-making process of such Joint Factories; or (iii) located in regions with relatively strong potential, we currently adopt level one management on them. We are entitled to appoint director(s) in Joint Factories subject to level one management. The number of director(s) appointed by us in the Joint Factories is determined based on our shareholding in the Joint Factories. We are generally entitled to appoint one or two directors in the level one Joint Factories. The directors appointed by us attend the board meetings of the Joint Factories to participate in the management of the Joint Factories as well as to facilitate the establishment and selection of the management team of the Joint Factories and to export our valuable management experience. We also exert our influence over the management of the Joint Factories through attending the shareholders' meeting to determine matters such as (i) formulation of annual business plan; (ii) determination of annual budget and (iii) annual profit distribution or deficit coverage plan. The annual business plan generally sets out the annual objectives with respect to, among other things, the production volume, revenue, gross profit, net profit and new contract value. Based on the performance of the Joint Factories, in case there is any material obstacle in its continuous operation, we may determine whether to continue the cooperation with the JF Partners pursuant to the joint venture agreements.

- Level two: for certain Joint Factories (i) located in cities or regions with GDP below RMB500 billion; (ii) located close to our wholly-owned PC factories or other Joint Factories; or (iii) where the level of construction business activity in the cities or regions is below our expectation, we currently adopt level two management. In order to reallocate our limited management resources and motivate the majority shareholder(s) of the Joint Factories, after our negotiation and subject to the consent of the JF Partners, we no longer held the decision-making rights in the key management decisions of the Joint Factories in the board meetings or shareholder's meetings (except for the decisions concerning the matters of: (i) dividend distribution and making up losses; (ii) increase or decrease in registered capital; (iii) merger, spin-off, insolvency, wind-up or any other change in the formality of the Joint Factories; and (iv) amendment on the articles of associations) and ceased to appoint directors and to be entitled to nominate directors. All the directors appointed by us in level two Joint Factories resigned from the position as a director in the Joint Factories and we no longer had effective board representation in level two Joint Factories. Instead, we obtain information about the operation and financial performance of level two Joint Factories by presenting in the regular meetings of Joint Factories (such as the senior management meetings and regular business meetings), the financial data provided to us quarterly as well as the data generated from the operation of PC-CPS in case PC-CPS is installed in the Joint Factories, so as to keep track of the compliance by those Joint Factories with the standards of our brand and reputation. In case of any breach of joint venture agreement by the JF Partner which may result in any adverse impact on our brand and market reputation, we may request the JF Partner to rectify the same and in case of serious breach, we may terminate the cooperation with the JF Partners and claim for damages. Although we adjusted the strategies of managing level two Joint Factories, the relevant adjustments are in line with the objectives of Broad Homes United Program.

We plan to continue to promote and implement the "two-level management strategy". During the Track Record Period, certain level one Joint Factories were re-categorized as level two Joint Factories for one or more of the following reasons: (i) the Joint Factory is located in a city or region with GDP below RMB500 billion; (ii) the Joint Factory is in close proximity to one or more wholly-owned PC factories or other Joint Factories; and (iii) the level of construction activity in the city or region where the Joint Factory is located in is lower than expectation. For example, as of the Latest Practicable Date, we further categorized ten level one Joint Factories that we had made capital contribution to as of December 31, 2018 as level two Joint Factories, as they are geographically located close to other Joint Factories or to our wholly-owned PC factories; as well as identified five Joint Factories that we had made capital contribution to as of the Latest Practicable Date as level two Joint Factories. As of the Latest Practicable Date, among the Joint Factories which we had made capital contribution to, 45 Joint Factories were identified and classified as level two Joint Factories. Based on mutual agreement after arm's length negotiation and the articles of association (or as amended) of those Joint Factories, we are not involved in the key operational management of these 45 Joint Factories.

Depending on whether we have significant influence on the Joint Factories that we had made capital contribution to, we recorded them as either associates (for level one Joint Factories) or financial assets at fair value through profit or loss (for level two Joint Factories) in our financial statements. We record our interest in level one Joint Factories as associates as we have significant influence over their financial and operational policy decisions. Any profit less loss attributable to us from these level one Joint Factories is recognized in our consolidated statements of comprehensive income. During the Track Record Period, as some of the level one Joint Factories were under construction or trial operation or still in ramp-up period and had not yet recorded any profit from their operation, we recorded losses in our investments in associates as a whole. We recorded a negative share of profits less losses of associates of RMB17.1 million, RMB69.7 million, RMB98.3 million and RMB26.3 million, respectively, for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019. However, based on the internal feasibility study we conducted before investing in the Joint Factories, we generally expect the Joint Factories to record profits after three to five years and achieve payback after eight years commencing from the signing date of the joint venture agreement. As most of the Joint Factories were established less than three years, we expect we may continue to record negative share of profits less losses of associates in near future although six Joint Factories (which are recorded as associates) recorded profit in 2018[Note].

With the implementation of the "two-level management strategy" in early 2018, we re-categorized certain level one Joint Factories as level two Joint Factories as we ceased to have significant influence over such level one Joint Factories. Our interest in such level one Joint Factories were remeasured as financial assets at fair value through profit or loss according to IAS 28 Investments in Associates and Joint Ventures. Upon remeasurement, gains or losses were recorded for any difference between the fair value of financial assets at fair value through profit or loss, which is determined by valuation, and the interest in associates in our consolidated statements of financial

Note : according to the management accounts of such Joint Factories.

position. If higher, gains are recorded and if lower, losses are recorded. During the Track Record Period, gains were so recorded on loss of significant influence in associates. Consequently, such gains on loss of significant influence in associates effectively represent the reversal of losses of these Joint Factories previously shared by our Group when they were accounted for and measured as associates under equity method.

We recorded gains on loss of significant influence in associates of RMB261.5 million in 2018 (representing 56.1% of our profit for the year) and RMB87.3 million for the four months ended April 30, 2019, which was resulted from the remeasurement of 30 and four Joint Factories that we had made the capital contribution to in the respective periods. If we had not remeasured such Joint Factories as financial assets at fair value through profit or loss, we would have recorded a negative share of profits less losses of associates of RMB136.2 million in 2018 and RMB61.6 million for the four months ended April 30, 2019[*Note*]. Please refer to the section headed "Financial Information—Description of Selected Components of Our Income Statements—Gains on Loss of Significant Influence in Associates" for details. We did not remeasure any associate as financial assets at fair value through profit or loss in 2016 and 2017. Among the 19 level one Joint Factories that we had made capital contribution to as of the Latest Practicable Date, we expect to re-categorize three Joint Factories as level two Joint Factories by the end of 2019. The same accounting treatment will be applied.

With respect to those Joint Factories that we do not have significant influence on, i.e. level two Joint Factories, we record our interest in these Joint Factories as financial assets at fair value through profit or loss upon loss of significant influence. We may have gains or losses for any changes in the fair value of the financial assets at fair value through profit or loss in our consolidated statements of comprehensive income. We currently intend to categorize all 67 Joint Factories that we plan to establish from 2019 to 2024 as level two Joint Factories at the time of establishment, unless the JF Partners have a strong desire to involve us in the daily operation and management of such Joint Factories. As no re-categorization will be implemented to these 67 Joint Factories, no gains on loss of significant influence in associates will be recognized with respect to these 67 Joint Factories. Please refer to the section headed "Financial Information—Factors Affecting Our Results of Operation—Business Model of Broad Homes United Program" for more details.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we had profit before tax of RMB242.9 million, RMB238.7 million, RMB554.3 million and RMB40.8 million, respectively.

The following table sets forth our consolidated statements of financial position as of the indicated dates:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Total non-current assets	1,969,352	2,724,729	3,473,386	3,834,845
Total current assets	3,827,779	4,246,662	3,852,499	3,771,652
Total current liabilities	3,532,939	3,822,939	3,988,279	4,184,568
Net current assets/(liabilities)	294,840	423,723	(135,780)	(412,916)
Total assets less current liabilities	2,264,192	3,148,452	3,337,606	3,421,929
Total non-current liabilities	400,977	441,478	454,883	497,588
Net assets	1,863,215	2,706,974	2,882,723	2,924,341

Note: according to their management accounts.

As of December 31, 2018, we recorded net current liabilities of RMB135.8 million, primarily due to the significantly increased use of cash to satisfy the huge capital requirement of our business expansion and research and development activities. Our net current liabilities position further increased to RMB412.9 million as of April 30, 2019 from RMB135.8 million as of December 31, 2018, primarily due to our investment in our wholly-owned PC factories. We plan to improve our net current liabilities position through the following measures: (i) enhancing our fund management by largely adopting equity financing while decreasing the utilization of short-term borrowings for the needs of funds to support our business expansion; (ii) expanding our financing channels and reducing the use of our own funds for long-term asset investment; and (iii) coordinating with our clients for settlement of trade debtors and bills receivable as well as accelerating the implementation of client projects so as to promptly recognize our received prepayments as revenue.

As of December 31, 2016, 2017 and 2018 and April 30, 2019, the outstanding balance of our trade debtors and bills receivable (before the provision for impairment) were RMB1,084.0 million, RMB1,536.5 million, RMB1,814.0 million and RMB1,811.2 million, respectively; the outstanding balance of our trade debtors and bills receivable (before the provision for impairment) from independent third parties which exclude related parties and Joint Factories were RMB747.8 million, RMB1,034.9 million, RMB1,107.3 million and RMB1,116.1 million, respectively; and the outstanding balance of our trade debtors and bills receivable (before the provision for impairment) from Joint Factories were RMB168.5 million, RMB367.0 million, RMB702.4 million and RMB690.8 million, respectively. During the years ended December 31, 2017 and 2018 and the four months ended April 30, 2019, our turnover days of trade debtors and bills receivable were 247 days, 269 days and 337 days, respectively; the turnover days of trade debtors and bills receivable from independent third parties which exclude related parties and Joint Factories were 312 days, 380 days and 312 days, respectively; and the turnover days of trade debtors and bills receivable from Joint Factories were 117 days, 159 days and 383 days, respectively. Considering our long trade debtors and bills receivable turnover days, we have adopted a series of measures, including improving our credit policies and reducing the percentage of government-funded projects which generally have relatively long settlement period of the PC unit manufacturing business; establishing a credit valuation system and a trade debtors and bills receivable settlement system; entering into contracts with customers having good financial conditions, creditworthiness and contract performance history; and other measures tailormade for each business segment to shorten our turnover days of trade debtors and bills receivable and ensure our working capital sufficiency. Please refer to the section headed "Financial Information—Liquidity and Capital Resources—Trade and other receivables" for detailed measures.

The following table sets forth the summary of our cash flow for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Net cash generated from/ (used in) operating activities	497,484	883,488	618,296	218,009	120,589
Net cash used in investing activities	(576,501)	(1,105,251)	(785,560)	(521,074)	(286,929)
Net cash generated from/ (used in) financing activities	217,813	617,916	(212,203)	(90,381)	164,791
Cash and cash equivalents at the beginning of the year/period	140,993	279,789	675,942	675,942	296,475
Cash and cash equivalents at the end of the year/ period	279,789	675,942	296,475	282,496	294,926

The following table sets forth the summary of key financial ratio during the Track Record Period:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019[7]
Financial ratio				
Current ratio[1]	1.1	1.1	1.0	0.9
Quick ratio[2]	1.0	1.0	0.9	0.8
Gearing ratio[3]	86.9%	64.8%	67.4%	73.4%
Return on total assets[4]	N/A	2.6%	6.5%	1.4%
Return on equity[5]	N/A	7.4%	16.7%	3.7%
Interest coverage ratio[6]	5.4	4.1	8.7	2.2

Notes:

(1) Current ratio equals to current assets divided by current liabilities at the end of the year/period.

(2) Quick ratio equals to current assets (excluding inventories) divided by current liabilities at the end of the year/period.

(3) Gearing ratio equals to total interest-bearing bank and other borrowings divided by total equity at the end of the year/period.

(4) Return on total assets equals to annual/annualized profits divided by average of total assets at the beginning and end of the year/period.

(5) Return on equity equals to annual/annualized profits divided by average of total equity at the beginning and end of the year/period.

(6) Interest coverage ratio equals to profit before taxation deducting the finance costs and dividing by finance costs.

(7) The key financial ratios as of April 30, 2019 are presented on annualized basis, which are calculated by dividing the financial figures for the four months ended April 30, 2019 with 365 and multiplying with 120.

PROPERTY VALUATION

AVISTA Valuation Advisory Limited, an independent property valuer, has valued our properties of various commercial units on Level 1-3 of Block Nos. 14-18 located at No. 709, Jianshan Road, Yuelu District, Changsha, Hunan Province, the PRC.

For a summary of the valuation and the valuation certificate, please refer to the sections headed "Appendix III—Property Valuation Report" and "Financial Information—Valuation of Investment Property".

LISTING EXPENSES

Upon the completion of the Global Offering, we expect to incur listing expenses of approximately RMB101.6 million, (at the mid-point of the indicative price range for the Global Offering and assuming that the Over-Allotment Option is not exercised, including underwriting commissions and maximum discretionary bonuses, where applicable), of which an estimated amount of approximately RMB12.2 million will be recognized as administrative expenses and an estimated amount of approximately RMB89.5 million will directly be recognized as reserve. The listing expenses above are for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses would materially impact our results of operation of 2019.

GLOBAL OFFERING AND GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$9.68 per H Share	Based on an Offer Price of HK$12.48 per H Share
Market capitalization of our H Shares[1]	HK$1,179.7 million	HK$1,520.9 million
Unaudited pro forma adjusted consolidated net tangible assets per H Share[2]	HK$8.44	HK$9.11

Notes:

(1) The calculation of market capitalization is based on the assumption that 121,868,000 H Shares will be in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) The unaudited pro forma adjusted net tangible assets attributable to the Shareholders of our Company per H Share in the above table is calculated after the adjustments referred to in the section headed "Unaudited Pro Forma Financial Information" set out in Appendix II to in this prospectus and on the basis of 121,868,000 H Shares in issue immediately following the completion of the Global Offering, assuming that the Global Offering has been completed on April 30, 2019 and that the Over-allotment Option is not exercised.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,237.5 million (assuming an Offer Price of HK$11.08 per H Share, being the mid-point of the Offer Price range stated in this prospectus), after deducting the underwriting commissions and other estimated expenses paid and payable by us in relation to the Global Offering, and assuming no exercise of the Over-allotment Option.

We intend to use such net proceeds for the following purposes:

- approximately 45% of the net proceeds, or approximately HK$556.9 million, for expanding our PC unit manufacturing business, of which:
  - (i) approximately 36%, or HK$445.5 million, for establishing wholly-owned regional production centers in key strategic regions, which includes expanding our production capacity into provincial capital cities, such as Wuhan, Jinan and Zhengzhou. We are identifying construction sites for wholly-owned factories in various locations and will purchase land and construct factories according to the local land supply status and market opportunities of such regions. We intend to utilize such net proceeds for purchase of land, construction of factories and purchase of production lines, equipment and other fixed assets; and
  - (ii) approximately 9%, or HK$111.4 million, for expanding our factories and upgrading our equipment in existing regional production centers so as to further enhance our production capacity as well as production efficiency of PC units in the regions where our existing regional production centers are located, and maintain or even improve our market shares in these regions. In particular, we plan to expand the general production capacity to meet the needs of future production as required by our contracts on hand and relieve us from capacity constraints during peak seasons, for example, expanding the current production lines and facilities in certain existing regional production centers and to conduct certain research and development projects for our current equipment and system to increase our production efficiency.
- approximately 20% of the net proceeds, or approximately HK$247.5 million, for expansion in overseas markets and establishing technology and production centers targeting overseas markets. We plan to promote the prefabricated villa products to certain developed countries and regions in, for instance, Europe, North America and Persian Gulf area. Meanwhile, we plan to construct a PC unit manufacturing factory serving the housing need in Poland;
- approximately 15% of the net proceeds, or approximately HK$185.6 million, for developing and expanding our intelligent equipment business, including PC equipment manufacturing, construction equipment manufacturing and other equipment business, so as to further increase the market share of our intelligent equipment business. By end of 2021, we plan to conduct our research and development on incorporating more technologies in relation to industrial informatization and intelligent manufacturing, by connecting PC equipment with construction equipment based on industrial IoT technology to further improve the automation level of our PC equipment. We also plan to conduct research and development on whole set of production equipment for autoclaved aerated lightweight concrete and construction equipment. After firstly adopting our research and development results in our wholly-owned factories, we plan to extend to the equipment we manufacture by end of 2022;

- approximately 10% of the net proceeds, or approximately HK$123.8 million, for developing and establishing an intelligent service platform in the prefabricated construction industry. We plan to increase our investment in hiring software development talents and purchasing data processing equipment, and continue to build our platform-level PC-CPS management system by optimizing BIM design, construction standards and operational tools, conducting research and development of artificial intelligence manufacturing systems and taking advantage of the PC Maker intelligent design software. We plan to complete the development of intelligent service platform in stages from the design of the whole structure, development of software, hardware and private cloud data center, to the improvement of platform functions and the wide application of the platform in the industry within three years. Capitalizing on advanced software and systems such as PC Maker and PC-CPS, we will continue our efforts to bridge a whole construction industry chain covering design, manufacturing and construction and maintain as a standardized portal for industrialization and an intelligent service platform of the construction industry. The design institutes, construction companies, real estate developers, government investment vehicles, property owners and cost supervision consultation companies will be able to use the platform to design the prefabricated buildings, manage the whole assembling process of the construction, analyze and select development plans, select and manage relevant prefabricated construction service providers and analyze the cost of projects. With the platform, we expect to facilitate the streamlining of prefabricated construction process, further enhance our capability of serving the whole industry chain of construction and promote our PC unit products and PC equipment which match the standards embedded in the platform; and
- approximately 10% of the net proceeds, or approximately HK$123.8 million, for working capital and other general corporate purposes.

For details of our intended use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds".

DIVIDEND POLICY

During the Track Record Period, we distributed dividend of RMB304.7 million to our shareholders in 2018. Our Articles of Association provide that dividends may be paid in cash, stock or a combination of cash and stock. Any proposed dividend distribution shall be formulated by the Board and subject to Shareholders' approval. We do not currently have a fixed dividend payout ratio. The amount of dividends to be declared and distributed will depend on the following factors: our overall business condition, results of operation, financial results, working capital, capital requirements, future prospect, cash flow and any other factors which our Board may deem relevant. We may declare interim dividend after taking into account the relevant factors that our Board deems relevant. Both our holders of Domestic Shares and H shareholders are entitled to our accumulated retained earnings prior to the Global Offering. For details, please refer to the section headed "Financial Information—Dividend Policy".

LEGAL PROCEEDINGS AND COMPLIANCE

Our Directors confirm that our Company or subsidiaries are not involved in any material outstanding litigation or arbitration that individually involves an amount in controversy that exceeds

RMB5 million as of the Latest Practicable Date. We were not aware of any material litigation, arbitration or claims against our Company or subsidiaries that are pending, or to the best knowledge of our Directors, threatened as of the Latest Practicable Date.

Our Directors and the PRC Legal Advisers confirm that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC regulatory requirements and guidelines in all material respects and obtained all the important qualifications and licenses necessary for our business operation in accordance with the PRC laws and regulations.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Benefiting from the continuous growth of the prefabricated construction industry in the PRC, our business continues to grow after the Track Record Period.

On June 6, 2019, the 2018 annual general meeting of our Company approved the resolution in respect of the profit distribution plan for the year ended December 31, 2018 and declared cash dividends of RMB10.0 (tax inclusive) for every 10 Shares with a total amount of RMB365.6 million (tax inclusive) for the year ended December 31, 2018. Dividends had been fully paid by July 1, 2019.

For the six months ended June 30, 2019, our completed contract value was approximately RMB1,405.6 million, including RMB866.4 million from our PC unit manufacturing business, RMB434.8 million from our PC equipment manufacturing business and RMB104.4 million from our construction contracting business. For the six months ended June 30, 2019, our total new contract value was approximately RMB2,954.3 million, including RMB2,233.8 million from our PC unit manufacturing business (representing a 95.2% increase from that for the six months ended June 30, 2018), RMB616.5 million from our PC equipment manufacturing business and RMB104.0 million from our construction contracting business. As of June 30, 2019, our backlog was approximately RMB6,220.8 million, including RMB4,587.6 million from our PC units manufacturing business, RMB1,499.1 million from our PC equipment manufacturing business and RMB134.1 million from our construction contracting business.

On July 1, 2019, we entered into an investment cooperation agreement with Cize Holding Limited ("**Cize**"), pursuant to which, among other things, we agreed to acquire 35% equity interest of Industrial Park Grójec sp. z o.o. (the "**Target Company**") from Cize provided that the Target Company will become the owner of a designated land parcel. The Company proposes to use the proceeds from the Global Offering to pay the consideration. For details, please refer to the section headed "History and Development—Post Track Record Period Acquisition" and "Future Plans and Use of Proceeds".

Our Directors confirm that, since April 30, 2019 and up to the date of this prospectus, save as disclosed above, (i) there had been no material adverse change in our financial or trading position, and (ii) there had been no material adverse change in our business, the industries in which we operate, and/ or the market or regulatory environment to which we are subject.

RISK FACTORS

Our business and the Global Offering involve certain risks, some of which are set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to invest in the Offer Shares. Some of the major risks we face include:

- Our business and future growth may be affected by the macro economic conditions in the PRC;
- Our business and future growth are subject to changes in construction industry in the PRC;
- We face intensive competition in the industry of the PRC;
- The predetermined price contracts that we are involved in may delay, change, or terminate due to the price fluctuation of raw materials and other uncontrollable factors, and therefore may cause losses and result in profit decrease;
- We may not be able to satisfy our working capital requirements if we experience significant increase in amount due from customers, significant delays in our billing and settlement process, or significant delays or defaults in our trade and other receivables, performance guarantees or warranty deposit;
- We recorded net current liabilities as of December 31, 2018 and April 30, 2019;
- We may not realize expected investment return or suffer loss with respect to our investments in the Joint Factories;
- We do not have significant influence over the operation of level two Joint Factories;
- There may not be sufficient market demands for the PC units manufactured by Joint Factories, which may have negative impact on Joint Factories' and our business operation and financial performance as well as the expansion of Broad Homes United Program and our PC equipment manufacturing business in the long-run;
- Valuation methods for our investments may involve subjective judgments, and our financial condition and results of operation may be materially and adversely affected by gains of losses arising from changes in the fair value of our investment in joint factories and investment properties; and
- We recorded gains of non-routine nature during the Track Record Period.

For further information relating to these and other risks relating to an investment in our H Shares, please refer to the section headed "Risk Factors".

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"13th Five-Year Plan"	the 13th Five-Year Plan of Construction Industry Development (2016-2020) (《建築業發展「十三五」規劃(2016-2020年)》) issued by the MOHURD in May 2017
"Anhui Broad"	Changsha Broad Homes Industrial Anhui Co., Ltd.*(長沙遠大住宅工業安徽有限公司), a company incorporated in the PRC on November 5, 2012 with limited liability and a wholly-owned subsidiary of our Company
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) and **GREEN** Applications Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Architectural Research and Design Institute"	the Company's research and development department, which mainly supports the design and manufacturing of PC units through developing software and providing research results
"Articles of Association"	the articles of association of the Company, which was amended and will become effective on the Listing Date, a summary of which is set out in Appendix VII to this prospectus
"Beijing-Tianjin-Hebei Region"	the region covering Beijing, Tianjin and Hebei Province in the PRC
"Belt and Road Initiative"	the initiative related to the "New Silk Road Economic Belt" and "Maritime Silk Road of the 21st Century" which was initially proposed by Mr. Xi Jinping, the President of the PRC, in September 2014 and was formally proposed by the NDRC, Ministry of Foreign Affairs of the PRC and Ministry of Commerce of the PRC on March 28, 2015
"Board"	the board of Directors
"Broad Construction Industrial"	Hunan Broad Construction Industrial Co., Ltd.* (湖南遠大建工股份有限公司), a joint stock company incorporated in the PRC on October 13, 1999 with limited liability and a wholly-owned subsidiary of our Company
"Broad Homes United Program"	the program initiated by our Company, where our Company cooperates with local business partners to set up Joint Factories to manufacture PC units

"Broad Lingmu"	Hunan Broad Lingmu House Equipment Co., Ltd.* (湖南遠大鈴木住房設備有限公司), one of the Controlling Shareholders, a company incorporated in the PRC on March 28, 1996 with limited liability, which was owned as to 100% by Chairman Zhang as at the Latest Practicable Date. Hence, Broad Lingmu is our connected person
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business
"Caixin Fund"	Hunan Caixin Industry Fund Management Co., Ltd.* (湖南省財信產業基金管理有限公司), a limited liability company established in the PRC and an existing minority shareholder of the Company
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant, or a CCASS Investor Participant
"Central China Region"	the region covering Hunan Province, Hubei Province and Guizhou Province in the PRC
"Central Western China Region"	the region covering Hunan Province, Hubei Province, Guizhou Province, Sichuan Province, Chongqing, Xinjiang Uygur autonomous region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui autonomous region and Yunnan Province in the PRC
"Certain Opinions"	Certain Opinions in Relation to Management Measures of City Planning and Construction (《城市規劃建設管理工作的若干意見》)
"Chairman Zhang"	Mr. Zhang Jian (張劍), the founder, chairman and one of the Controlling Shareholders of the Company
"China Real Estate News"	a Chinese real estate newspaper (and its news website) governed by the MOHURD

"China" or "PRC"	the People's Republic of China, but for the purpose of this prospectus only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan region
"CIETAC"	China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會)
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "Broad Homes"	Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司), which was established in the PRC on April 30, 2006 as a limited liability company and was converted into a joint stock company with limited liability in the PRC on December 10, 2015
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context requires otherwise, refers to Chairman Zhang, Broad Lingmu, Dazheng Investment, Daxin Investment and Fuyang Shangjiu
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Daxin Investment"	Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership)* (長沙高新開發區大鑫投資管理合夥企業（有限合夥）), one of the Controlling Shareholders, a limited partnership established in the PRC on April 22, 2013 as an employee stock ownership platform of our Company. Chairman Zhang was the general partner of Daxin Investment and held 66% partnership interest in it as at the Latest Practicable Date. Hence, Daxin Investment is our connected person
"Dazheng Investment"	Hunan Dazheng Investment Co., Ltd.* (湖南大正投資股份有限公司), one of the Controlling Shareholders, a joint stock company established in the PRC on April 16, 2008 with limited liability, which was owned as to 71.20% by Chairman Zhang, directly and indirectly, as at the Latest Practicable Date. Hence, Dazheng Investment is our connected person

"Dingxinrixin"	Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership)* (湖南鼎信日新股權投資管理企業(有限合夥), a limited partnership established in the PRC on May 9, 2013, and one of the promoters of the Company
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"Eastern China Region"	the region covering Shandong Province, Jiangsu Province, Shanghai, Anhui Province, Zhejiang Province, Jiangxi Province and Fujian Province in the PRC
"Exchange Participant(s)"	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
"forward design"	developing through moving from input, to process, and to output
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	the report we commissioned Frost & Sullivan to prepare on the current status and forecasts of industries in which the Company operates
"Fuyang Shangjiu"	Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership)* (杭州富陽上九靜遠股權投資合夥企業（有限合夥）), one of the Controlling Shareholders, a limited partnership established in the PRC on December 12, 2017. Broad Lingmu, a company 100% owned by Chairman Zhang, was the limited partner of Fuyang Shangjiu and held approximately 99.33% partnership interest in it, and Mr. Zhou Bin (周斌), the spouse of Ms. Shi Donghong (an executive Director), was the general partner of Fuyang Shangjiu as at the Latest Practicable Date. Hence, Fuyang Shangjiu is our connected person

“Global Offering”	the Hong Kong Public Offering and the International Offering
“**GREEN** Application Form(s)”	the application form(s) to be completed by the **White Form eIPO** Service Provider, Computershare Hong Kong Investor Services Limited, designated by our Company
“Group”, “our”, “we” and “us”	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
“Guangzhou Broad”	Guangzhou Broad Homes Industrial Co., Ltd.*(廣州遠大住宅工業有限公司), a company incorporated in the PRC on February 17, 2016 with limited liability and a wholly-owned subsidiary of our Company
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of listing, and permission to deal, on the Main Board of the Hong Kong Stock Exchange
“Hangzhou Broad”	Broad Homes Industrial (Hangzhou) Co., Ltd.*(遠大住宅工業（杭州）有限公司), a company incorporated in the PRC on November 4, 2013 with limited liability and a wholly-owned subsidiary of our Company
"HKIAC"	Hong Kong International Arbitration Centre
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong Dollars” or “HK$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Listing Rules’’	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Hong Kong Offer Shares”	the H Shares offered for subscription in the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer by our Company of initially 12,187,200 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in “Structure of the Global Offering”) for cash at the Offer Price (plus brokerage, SFC

	transaction levies and Hong Kong Stock Exchange trading fees) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed "Structure of the Global Offering—The Hong Kong Public Offering" in this prospectus
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters listed in the section headed "Underwriting—Hong Kong Underwriters", being the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 22, 2019 relating to the Hong Kong Public Offering and entered into by the Joint Global Coordinators, the Hong Kong Underwriters, Chairman Zhang and the Company, as further described in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement"
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hunan DOHURD"	the Department of Housing and Urban-Rural Development of Hunan Province (湖南省住房和城鄉建設廳)
"IAS"	International Accounting Standards issued by the IASB
"IASB"	International Accounting Standards Board
"IFRS"	International Financial Reporting Standards issued by the IASB
"Independent Third Party(ies)"	party(ies) not connected with us within the meaning of the Hong Kong Listing Rules as far as our Directors are aware after having made all reasonable enquiries
"International Offer Shares"	the H Shares offered pursuant to the International Offering
"International Offering"	the offering of initially an aggregate of 109,680,800 H Shares by us to professional and institutional investors and other investors as further described in the section headed "Structure of the Global Offering", subject to the Over-allotment Option
"International Underwriters"	the underwriters of the International Offering who are expected to enter into the International Underwriting Agreement

"International Underwriting Agreement"	the international purchase agreement relating to the International Offering and to be entered into by the Company, Chairman Zhang, the Joint Global Coordinators and the International Underwriters on or about October 30, 2019 as further described in the section headed "Underwriting—Underwriting Arrangements and Expenses—The International Offering"
"JF Partners"	the shareholders of the Joint Factories other than us
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited, China Securities (International) Corporate Finance Company Limited, CMB International Capital Limited, ABCI Capital Limited and CCB International Capital Limited
"Joint Factory(ies)"	the entities established under Broad Homes United Program to manage and operate the PC manufacturing factory. For purpose of this prospectus, the Joint Factory also refers to the factory it operates and manages as context requires
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited and China Securities (International) Corporate Finance Company Limited
"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited, China Securities (International) Corporate Finance Company Limited, CMB International Capital Limited, ABCI Securities Company Limited and CCB International Capital Limited
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and China Securities (International) Corporate Finance Company Limited
"Latest Practicable Date"	October 15, 2019, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about Wednesday, November 6, 2019, on which our Offer Shares are listed and from which dealings in our Offer Shares are permitted to take place on the Hong Kong Stock Exchange

"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Mandatory Provisions"	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in China to be listed overseas, which were promulgated by the former Securities Commission of the State Council of the PRC (中華人民共和國國務院證券委員會) and the former State Commission for Restructuring the Economic Systems of the PRC (中華人民共和國國家經濟體制改革委員會) on August 27, 1994
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOC"	the Ministry of Construction of the PRC (中華人民共和國建設部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部), a ministry of the government of the PRC which provides housing and regulates the state construction activities in the country, formerly known as the MOC
"Ms. Liu"	Ms. Liu Hui (柳慧), the spouse of Chairman Zhang
"N/A"	not applicable
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NEEQ"	the National Equities Exchange and Quotations of the PRC (全國中小企業股份轉讓系統)
"Ningxiang Broad"	Ningxiang Broad Homes Industrial Co., Ltd.*(寧鄉遠大住宅工業有限公司), a company incorporated in the PRC on February 4, 2010 with limited liability and a wholly-owned subsidiary of our Company

"Northern China Region"	the region covering Heilongjiang Province, Jilin Province, Liaoning Province, Inner Mongolia Autonomous Region, Shanxi Province and Henan Province in the PRC
"NPCA"	the National Precast Concrete Association of the U.S.
"Offer Price"	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at which Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offering Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed "Structure of the Global Offering—Pricing of the Global Offering"
"Offer Share(s)"	the H Share(s) offered in the Global Offering, where relevant, including any additional H Shares issued pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option to be granted by the Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 18,280,200 additional H Shares at the Offer Price to cover, among other things, over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering—The International Offering—Over-allotment Option"
"PBOC"	the People's Bank of China (中國人民銀行)
"Pearl River Delta Region"	the region covering Guangdong Province, Hainan Province and Guangxi Zhuang Autonomous Region in the PRC
"PLN"	Polish Zloty, the lawful currency of Poland
"Poland"	the Republic of Poland
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Legal Advisers"	Jia Yuan Law Offices, the legal advisers of the Company as to PRC laws in connection with the Global Offering
"Price Determination Date"	the date, expected to be on or about Wednesday, October 30, 2019, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than Tuesday, November 5, 2019

"Product Design Institute"	the Company's design department, which mainly focuses on specific products design for clients' projects
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"QIBs"	qualified institutional buyers, as defined in Rule 144A
"Regulation S"	Regulation S under the U.S. Securities Act, as amended from time to time
"RMB" or "Renminbi"	the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Share(s) and Domestic Share(s)
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen SASAC"	the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (深圳市人民政府國有資產監督管理委員會)
"Shenzhen Stock Exchange"	the Shenzhen Stock Exchange (深圳證券交易所)
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)

"Supervisor(s)"	the member(s) of the Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the financial years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019
"U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended from time to time
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"VAT"	value-added tax
"Western China Region"	the region covering Sichuan Province, Chongqing, Xinjiang Uygur Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region and Yunnan Province in the PRC
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant's own name
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"**White Form eIPO**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** **www.eipo.com.hk**
"Xiangtan Broad"	Xiangtan Broad Homes Industrial Co., Ltd.* (湘潭遠大住宅工業有限公司), a company incorporated in the PRC on June 11, 2010 with limited liability and a wholly-owned subsidiary of our Company
"Yangtze River Delta Region"	the region covering Jiangsu Province, Zhejiang Province, Anhui Province and Shanghai in the PRC

"**YELLOW** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
"Yuanzhi Fuhai"	Shenzhen Yuanzhi Fuhai Investment Partnership (Limited Partnership)* (深圳遠致富海股權投資企業（有限合夥）), a limited partnership established in the PRC on December 23, 2014, and a connected person of our Company
"%"	percent

In this prospectus, the terms "associate(s)," "close associate(s)," "connected person(s)," "core connected person(s)," "connected transaction(s)," "controlling shareholder(s)," "subsidiary(ies)" and "substantial shareholder(s)" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

Words importing the masculine gender include, where applicable, the feminine and neuter genders.

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

** For identification purposes only.*

This glossary of technical terms contains definitions of certain terms used in this prospectus in connection with our Company and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"beam"	a structural element that primarily resists loads applied laterally to its axis
"BIM"	building information modeling, a process involving the generation and management of digital representations of physical and functional characteristics of places
"BOM"	bill of materials, a list of the raw materials, sub-assemblies, intermediate assemblies, sub-components, parts, and the quantities of each needed to manufacture an end product
"CAGR"	compound annual growth rate
"cement"	gray powder, made by calcining lime and clay, which hardens when mixed with water and is generally used in producing mortar and concrete
"cloud"	a global network of servers, each with a unique function
"concrete"	an artificial, stonelike material used for various structural purposes, made by mixing cement and various aggregates, such as sand, pebbles, gravel or shale, with water and allowing the mixture to harden
"curing"	the process where the concrete surfaces are kept wet for a certain period after placing of concrete so as to promote the hardening of cement
"EPC"	engineering, procurement and construction, commissioned by the owner to contract the whole process or certain stages of a project based on the contract including exploration, design, procurement, construction and trial operations (inspection upon completion)
"GFA"	gross floor area, in real estate is the total floor area inside the building envelope, including the external walls, and excluding the roof
"gravel"	impure sandstone containing lime and clay
"Industrialization 4.0"	the intelligent era of using information technology to promote industrial transformation (distinguished from the Industrialization 1.0 steam engine era, the Industrialization 2.0 electrification era and the Industrialization 3.0 information era), characterized by the use of IoT

	information system for the digitalization and intelligentization of supply, manufacturing, and sales information in production, in order to achieve fast, effective and personalized product supply
"IoT"	internet of things, a network of physical objects (devices, vehicles, buildings and other items) embedded with electronics, software, sensors, and network connectivity that enables these objects to collect and exchange data thus to realize intelligent identification, positioning, tracking, monitoring and management
"ISO9001"	a standard for quality management systems maintained by the International Organization for Standardization (ISO) and is administered by accreditation and certification bodies
"km"	kilometer(s)
"m"	meter(s)
"m^2" or "sq.m."	square meter(s)
"m^3"	cubic meter(s)
"mid to high-rise"	houses and buildings with height between 24 meters (exclusive) and 100 meters (inclusive)
"mould"	a device for cutting or molding liquid into a particular shape
"multi-story"	houses and buildings with height between 10 meters (exclusive) and 24 meters (inclusive)
"OEM"	original equipment manufacturer, a company that makes a part or subsystem that is used in another company's end product
"panel"	a flat or curved component, typically rectangular, that forms or is set into the surface of a door, wall, or ceiling
"PC" or "precast concrete" or "prefabricated concrete"	a construction product produced by casting concrete in a reusable mould which is then cured in a controlled environment, transported to the construction site and lifted into place; in contrast, standard concrete is poured into site-specific forms and cured on site
"PC Maker"	the series of software for designing PC units and realizing other functions along the industry chain of prefabricated construction industry, of which PC Maker I is its first generation

"PC Maker I"	a BIM software developed by the Company for designing PC units
"PC-CPS"	cyber-physical-system, an intelligent system to manage the operation and production
"prefabricated building"	a type of building that consists of several factory-built components or units that are assembled on-site to complete the unit
"QR code"	quick response code, a machine-readable optical label that contains information about the item to which it is attached
"rebar" or "bar"	reinforcing bar, collectively known as reinforcing steel and reinforcement steel, a steel bar or mesh of steel wires used as a tension device in reinforced concrete and reinforced masonry structures to strengthen and aid the concrete under tension
"reinforced concrete"	concrete in which wire mesh or steel bars are embedded to increase its tensile strength
"sandwich panel"	the panel with the structure of three layers
"shear wall"	a vertical element of a seismic force resisting system that is designed to resist in-plane lateral forces, typically wind and seismic loads
"slab"	a large, thick, flat piece of stone, concrete, or wood, typically rectangular
"ton(s) "	metric tons

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business prospects;
- our capital expenditure plans;
- our financial condition and performance;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate; and
- global political and economic conditions, including those related to the PRC and other relevant jurisdictions in which we have or intend to have business operations.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed under "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all the information in this prospectus, including the risk and uncertainties described below, before making an investment in our H Shares. These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay attention to the fact that we are a PRC company, the legal and regulatory environment of where it is situated in may be significantly different from that of other jurisdictions. For detailed information concerning the PRC and certain related matters discussed below, please refer to the sections headed "Appendix V—Regulatory Environment", "Appendix VI—Summary of Certain Legal and Regulatory Matters" and "Appendix VII—Summary of the Articles of Association".

There are certain risks involved in our business, most of which are beyond our control. These risks can be categorized as: (i) risks relating to our business and industries; (ii) risks relating to doing business in the PRC; and (iii) risks relating to the Global Offering. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our business, financial condition and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRIES

Our business and future growth may be affected by the macro economic conditions in the PRC.

Our business and future growth prospect relies on the general economic conditions in the PRC. From 2013 to 2018, China's economy achieved a rapid growth at a CAGR of 8.2%. According to Frost & Sullivan, from 2019 to 2023, China's macro economy may experience a soft landing during which it is predicted that China's economy growth may slow down, and various ongoing reforms may be carried out in the PRC, aiming to transform China's macro economy from investment-driven to consumer-driven. In addition, the cooling down of China's fixed asset investment reflects a combined effect of the economy deleveraging, reinforcement of environmental protection control and redundant production capacity elimination in the heavy industry. This economic structure adjustment is expected to improve the quality and efficiency of China's economic development. Some of these measures are beneficial to China's general economy, but may also adversely affect our operation. For example, the PRC government has tightened its control over capital investment, which may decrease government's investments in low-income housing projects and/or public facility construction projects in China; and the deleveraging of economy may affect real estate development construction activities. As a result, our ability to supply PC units or PC equipment or undertake housing and public facilities construction projects at a reasonable price may be hindered. We are involved in construction projects of commercial real estate development, government-funded low-income housing and municipal construction. These projects are developed or funded by real estate developers or government, government organizations or public organizations. Any change of economic conditions in the PRC may affect the availability of funds to the project developers or owners which may result in suspension or termination of the project, and our ability to supply PC units to these projects may be in turn materially and adversely affected. In addition, enhanced control over environmental protection by the PRC government may lead to a massive shutdown or prolonged inspection to the construction site by government departments, which in turn may affect our supply to the construction project. Any economic structural adjustment in the PRC may cause changes in the taxation regulation system or foreign exchange control system currently applied to us, resulting in adverse effects on our financial condition and results of operation.

Construction activities in the PRC are very sensitive to economic fluctuations and market uncertainties, and are regulated by the PRC government through political decisions. Any slowdown or regression of economy or other changes in China's society, politics or legal environment may decrease the number of new real estate construction projects or infrastructure projects, or lower the purchasing power of residents, and therefore decrease the demand towards our products and affect our results of operation.

Our business and future growth are subject to changes in the construction industry in the PRC.

Our business and future growth relies on the level of real estate construction industry development in the PRC. In the 13th Five-Year Plan, the PRC government aims to achieve an annual growth rate of 7% on the gross value of the construction industry output, showing the PRC government's intention in maintaining a stable development of the construction industry. With the implementation of the Belt and Road Initiative and the development trend of comprehensive industrialization, China's construction industry growth may sustain in the next five years according to Frost & Sullivan. Moreover, the PRC government considers urbanization as one of the core national strategies and has been accelerating the urbanization progress. According to Frost & Sullivan, urbanization level in the PRC reached 59.6% in 2018 and is expected to increase to 64.9% in 2023. The PRC government plans to achieve 70% of urbanization in 2030 in its national development plan, which indicates a continuous growth in the future. The growth in urban resident population will boost the continuous growth of the demand for real estate construction and municipal construction. However, such growth is conditioned upon various factors and we cannot assure that such growth will continue. Furthermore, the prefabricated construction industry, from which most of our revenue was generated during the Track Record Period and is expected to continue to generate in the future, accounts for only part of the construction industry and may not enjoy the same growth along with the growth of the construction industry or at all. In addition to the factors which may contribute to the general growth of construction industry, the growth of prefabricated construction industry is subject to structural movement within the industry, which is affected by the market preference, consumption habit, government policies and the competitive edge of different component of the industry. If there is a slowdown or regression of China's construction industry particularly the prefabricated construction industry, the demand for our products and services may decrease, which in turn may have a material and adverse effect on our business, financial condition and results of operation.

Meanwhile, we are susceptible to adverse changes in government policies related to the PRC construction industry, including laws and regulations that affect land supply for real estate development, project financing and taxation, as well as local government budgets and the participation of private enterprises in the infrastructure industry. During the Track Record Period, we engaged in supplying PC units to government-funded low-income housing projects and real estate development projects or acted as a constructing contractor for these projects. The PRC government has implemented various regulations and policies, aiming to cool down the real estate market and hinder the rise in property prices, which include criteria on purchasing real estate by domicile of household, restrictions on mortgage and increase in interest rate for real estate loans in the secondary market, as adopted in certain cities. These policies and measures may affect the activity of real estate market in the PRC, resulting in the slowdown of China's real estate construction industry development, and in turn affecting the number of PC unit supply or construction projects that we can obtain and the number of PC equipment that we can sell. In addition, our business relies on the continuous growth of the prefabricated construction industry, which is subject to various factors such as economic condition and change of industry policy in the PRC that are out of our control. The PRC government promulgated the Certain Opinions in 2016, according to which the PRC government will strengthen the policy support to raise the proportion of prefabricated construction among newly constructed buildings to 30% in about 10 years. However, it may take longer than expected for the related supportive policies to be fully implemented at local level, and as a result we may not be able to acquire the competitive edge against companies adopting traditional construction methods. If the prefabricated construction industry did not grow as expected, our business, financial condition and results of operation would be materially and adversely affected. We cannot assure you that the prefabricated construction industry will grow as expected or at all, or the PRC government will not change its policies or adopt other policies toward the prefabricated construction industry, or the favorable policy treatment we have enjoyed so far will not terminate. In the event of any above, our business, financial condition and results of operations may be materially and adversely affected.

We face intensive competition in the industry of the PRC.

We face intensive competition from nationwide large scale construction companies, which may have stable supply of projects or abundant technological resources as well as from regional competitors, which may have abundant long-term customer resources, extensive network in the region, or the advantage of low freight cost. As such, we cannot guarantee that we are able to successfully compete with our competitors in either nationwide or regional market or maintain our position as the market leader in China. Furthermore, where the adoption of prefabricated construction method is not required by the relevant policies or regulations, customers may prefer the traditional construction method, which we do not have competitive edge on due to its advantages in respect of low cost and low technology barrier as well as the level of acceptance and familiarity of consumers. In addition, the industrial standards of the prefabricated construction industry are in their early stage of development and the national standards and local standards have just been promulgated and are in their early stage of implementation as well. We cannot assure you the development, promulgation or implementation of such standards will not affect our products or production, or we will not incur additional cost to comply with the standards or any changes thereof. In that case, the profitability and prospects of our business may be adversely affected.

In addition, due to our business nature, we secure contracts for most of our PC unit manufacturing business through competitive bidding. We cannot guarantee that we will be informed about or be invited to the tendering process or we are able to win the bidding in the future. We are also exposed to the risk of not being granted new contracts from customers upon the expiry of the contracts on hand. We cannot guarantee that we can maintain or raise the successful rate of our tendering in the future. If we cannot continuously secure new projects with similar or larger contract amounts, our results of operation, financial condition and business prospects may be materially and adversely affected.

The predetermined price contracts that we are involved in may delay, change, or terminate due to the price fluctuation of raw materials and other uncontrollable factors, and therefore may cause losses and result in profit decrease.

A significant portion of the revenue from our PC unit manufacturing business and construction contracting business is generated and expected to continue to be generated from contracts with predetermined price. Such contracts require us to complete projects at a predetermined unit price or total price and at a scheduled time. Our estimate of cost of completing a project is subject to various assumptions, including future economic conditions, cost and supply of labor and raw materials, utilization of production facilities and the construction and technology standards of various projects, which may not be accurate. Our production of PC units as well as our construction contracting business relies on reliable and sufficient supplies of raw materials, such as cement, rebar, and gravel. During the

Track Record Period, prices of such raw materials increased significantly due to factors including the government's market control policies and changes of the market supply and demand. Such price fluctuations in the PRC market are difficult to foresee at the time of signing the predetermined price contracts and are beyond our control. Among the PC unit manufacturing contracts with predetermined price that we entered into during the Track Record Period, approximately 32.2% (in terms of number) of the contracts contain a price adjustment clause that will trigger a price adjustment in case the market price of raw materials (generally cement and rebar) increases beyond a certain percentage (generally 5%); while the rest of the contracts did not contain such price adjustment clause. Hence under these contracts we are not entitled to adjust the selling price of our PC units unless otherwise agreed by parties. In case of any significant subsequent increase of price of raw materials, we cannot assure that we are able to negotiate successfully with the customers to increase our selling price accordingly and as a result, our profitability from such contracts may be adversely affected. During the Track Record Period, our direct material costs of the PC unit manufacturing business accounted for 32.4%, 42.5%, 45.4% and 49.2% of the revenue from the PC unit manufacturing business, respectively. For illustrative purpose only, if our cost of raw materials of the PC unit manufacturing business increased or decreased by 5% during the Track Record Period, with all other variables held constant, our revenue of the PC unit manufacturing business for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 would have decreased or increased by approximately RMB7.2 million, RMB18.9 million, RMB19.4 million and RMB8.6 million, or approximately 1.6%, 2.1%, 2.3% and 2.5%, respectively. Besides, the delay caused by inclement weather, labor shortage, technical issues and the delay resulted from other inherent risks in contract enforcement may all cause our actual risk or cost different from our estimates. Any occurrence of such events may result in excessive expenditures or delay in delivery of products or completion of projects. During the Track Record Period, our gross profit margin in certain business segment was affected by the increase of price of raw materials. We cannot guarantee that the products delivered or the projects completed meet the various customers requirements and there will not be excessive expenditures or delays. In that case, our reputation may be adversely affected and our customer loyalty may be weakened. Excessive expenditures may also adversely affect the profit under the relevant contracts.

Furthermore, construction projects that we are involved in are exposed to risks in relation to potential delay, changes or termination due to various factors. These factors include market conditions, government policies, applicable laws and regulations, availability of funding, transportation, potential disputes with partners, raw material suppliers, employees and local governments, electricity, other energy supply, technology and human resources supply and natural disasters. Any delay, changes or termination in the construction projects that we are involved in may lead to postponement in our projects and production and sales of products, which in turn affect our profit. The construction projects we are involved in include commercial real estate development projects, government-funded low-income housing projects and municipal construction projects. These projects are either funded by real estate developers or government, government organizations or public organizations. Therefore, such projects may be subject to changes or postponement due to factors such as changes in market conditions or policies of real estate development and bank credit, changes in fiscal budget or public expense and policy in infrastructure by the PRC government, and personnel changes in government or decision-making bodies or any other economic or policy changes, which may result in withholding or delay of the payment for our products or services. In addition, customers may require us to change the design from time to time which may cause adjustment of production plans and additional costs. If we cannot predict such changes accurately and adjust our projection and project progress arrangement on time, our business, financial condition and results of operation may be adversely affected.

We may not be able to satisfy our working capital requirements if we experience significant increase in amount due from customers, significant delays in our billing and settlement process, or significant delays or defaults in our trade and other receivables, performance guarantees or warranty deposit.

We usually require our customers to pay by installment upon achieving certain project milestones or with regard to project progress. For details, please refer to the section headed "Business—Sales and Marketing—Credit Policy".

Our customers may not pay in a timely manner or at all. The carrying amounts of our trade debtors and bills receivable (before the provision for impairment) were RMB1,084.0 million, RMB1,536.5 million, RMB1,814.0 million and RMB1,811.2 million, respectively, as of December 31, 2016, 2017 and 2018 and April 30, 2019. Moreover, during the Track Record Period, we had long trade debtors and bills receivable turnover days. During the years ended December 31, 2017 and 2018 and the four months ended April 30, 2019, the turnover days of our trade debtors and bills receivable were 247 days, 269 days and 337 days, respectively; the turnover days of our trade debtors and bills receivable for our PC unit manufacturing business were 268 days, 378 days and 318 days, respectively; and the turnover days of our trade debtors and bills receivable for our construction contracting business were 678 days, 495 days and 291 days, respectively. In addition, due to some of the Joint Factories were still in the early stage of development and may not timely settle their payment for PC equipment purchased from us, our trade debtors and bills receivable turnover days in the PC equipment manufacturing business segment for the years ended December 31, 2017 and 2018 and the four months ended April 30, 2019 increased from 117 days to 159 days further to 383 days. For details, please refer to the section headed "Financial Information—Liquidity and Capital Resources—Trade and other receivables".

Delays or defaults in payments from customers or delayed billing process may adversely affect our cash flow position and our ability to satisfy working capital requirements. We have experienced delayed payment from certain customers, resulting in unexpected increase in amounts receivable and cash outflow. As of December 31, 2016, 2017 and 2018 and April 30, 2019, our allowance for impairment of trade and other receivable were RMB23.3 million, RMB28.6 million, RMB106.8 million and RMB116.4 million, respectively, amounting to 1.9%, 1.7%, 5.2% and 5.8% of trade and other receivable before impairment, respectively. However, we cannot guarantee that we will make sufficient provisions in the future.

In addition, during the Track Record Period, we recorded long outstanding balances of contract assets derived from our construction contracts. Such long outstanding balances of contract assets are primarily attributable to (i) government-funded projects with relatively long settlement cycle; (ii) projects with large scales and relatively long construction period and (iii) unexpired warranty period. As of April 30, 2019, RMB532.9 million of contract assets from the top ten projects had been outstanding for more than two years. We could not recognize these long outstanding balances of contract assets as trade debtors and bills receivable and settle them as they are not verified by the clients. As the recoverability of our contract assets is primarily subject to the construction progress and settling process of our client, we cannot assure you that we are able to recover or settle all of these outstanding balances of contract assets in a timely manner or at all.

If we cannot verify our contract assets or collect contract prices in a timely manner or the amount of receivables are not paid in full, our cash flow and financial condition will be adversely affected. In addition, we regularly incur costs related to projects, major raw materials, equipment and labor, especially at the beginning of the projects or before achieving certain project milestones. In respect of the projects which have incurred material costs and expenses, defaults in payments from customers or the time difference between collecting receivables from customers and making payments to suppliers could materially and adversely affect our results of operations as well as reduce our working capital.

We recorded net current liabilities as of December 31, 2018 and April 30, 2019.

We have relied on a combination of funds generated from our operations, bank and other loans to finance our business operations and expansion. As of December 31, 2018 and April 30, 2019, we had net current liabilities of RMB135.8 million and RMB412.9 million, respectively, as compared to our net current assets position of RMB294.8 million as of December 31, 2016 and RMB423.7 million as of December 31, 2017. Our net current liability position as of December 31, 2018 was primarily due to the increased use of cash to satisfy the huge capital requirement of our business expansion and research and development activities, and our net current liability position as of April 30, 2019 was primarily due to our investments in our wholly-owned PC factories. Furthermore, we also recorded net current liabilities of RMB823.9 million as of August 31, 2019 (being the Latest Practicable Date to determine our indebtedness). We may need to obtain additional borrowings from financial institutions or other persons to finance our rapid business expansion which will involve significant capital expenditure. We may continue to record net current liabilities in the future, which may limit our working capital for operation, and materially and adversely affect our business, financial condition and results of operations.

We may not realize expected investment return or suffer loss with respect to our investments in the Joint Factories.

To increase our share in regional markets and promote our production management system, we established Joint Factories in various regions together with our JF Partners to produce PC units. Our shareholding in the Joint Factories generally does not exceed 35%. Therefore, although we provide management support to the Joint Factories, we have no control over the management and operation of the Joint Factories. In addition, as we normally do not have the right of first refusal pursuant to the agreement with the JF Partners, we may not be able to object to any existing JF Partners transferring their shares of Joint Factories to other parties. In that case, we may have less control over the quality of JF Partners as we originally planned. Accordingly, we may not realize expected investment return in the Joint Factories or even suffer losses due to partners' poor management of the Joint Factories, nor could we ensure that the quality of products produced by Joint Factories is consistent with the quality of products produced by wholly-owned factories. In addition, we sell PC equipment to the Joint Factories and the products produced by the Joint Factories using such equipment share our brand name of "Broad Homes Industrial". If such products are defective and give rise to products liability, the reputation of our products (including the products produced by our wholly-owned factories and other joint factories) may be adversely affected and we may undertake relevant liabilities.

We invest in joint factories in regions where market demand for PC units we consider favorable. In certain regions, we may invest in multiple joint factories or both joint factories and wholly-owned factories. As we do not have restrictive terms on sales region of joint factories in cooperation agreements entered into with our JF Partners, vicious competitions, such as price competition may arise among joint factories or between joint factories and our wholly-owned factories. We cannot guarantee that we can properly ease such competition, and as a result, our regional selling price of PC units may be driven down and our profitability may be adversely affected.

It generally takes one to three years from the establishment of a Joint Factory to commence operation and it is estimated that the Joint Factory will record profits in three to five years and achieve payback in eight years commencing from the signing date of the joint venture agreement. It is a long period of time during which situations may change and any incident beyond our control may arise and as a result, Joint Factories may not be able to commence operation or record any profit as we expect, or at all. Our expected payback period and breakeven period may be prolonged due to various factors that are out of our control. In that case, we may not be able to realize expected investment return in time and may even suffer losses. Even though we may record profits from those Joint Factories that are recorded as associates under equity accounting, we would not generate any cash inflow for those profits recorded unless the dividends are declared and paid in cash by the Joint Factories. In addition, we provide related proprietary technology to joint factories and allow them to use our intellectual property right. We cannot guarantee that our JF Partners will use our proprietary technology and intellectual property right in full compliance with cooperation agreements. Moreover, if our JF Partners otherwise breach the cooperation agreements, the establishment and commencement of operation of joint factories may be delayed, which may adversely affect our business, financial condition and results of operations.

We do not have significant influence over the operation of level two Joint Factories.

Since early 2018, we started to implement the "two-level management strategy" on the Joint Factories. Subject to the consent of the JF Partners, we withdraw from participating in the decision-making process of the key operational management of certain Joint Factories and therefore lose significant influence over the operation of such Joint Factories, to better respond to the challenges imposed on our limited management resources with our implementation of Broad Homes United Program. As of the Latest Practicable Date, among 64 Joint Factories that we made capital contribution to, 45 were level two Joint Factories. Based on mutual agreement after arm's length negotiation and the articles of association (or as amended) of those Joint Factories, we do not involve in the key operational management of such 45 Joint Factories. We may categorize more and more Joint Factories as level two Joint Factories when the circumstance allows. With the expansion of Broad Homes United Program and subject to further negotiation with our JF partners, we expect to gradually re-categorize level one Joint Factories as level two Joint Factories and currently intend to categorize all 67 Joint Factories that we plan to establish from 2019 to 2024 as level two Joint Factories at the time of establishment, except for the circumstances under which our JF Partners have expressed a strong desire to involve us in the daily operation and management of the Joint Factories.

With respect to level two Joint Factories, our influence over their management and operation are very limited and thus we cannot assure you that such Joint Factories could maintain the same quality of management as our level one Joint Factories, and as a result the operation results or financial performance of these Joint Factories may not be as favorable as we expect. Currently, substantially all of our PC equipment are sold to the Joint Factories. Any unfavorable results of the Joint Factories' operation or financial performance may affect their payments of purchased PC equipment and their future demand for our PC equipment and further affect the performance of our business (including our trade debtors and bills receivable of the PC equipment manufacturing business segment) as well as the development of Broad Homes United Program. The products produced by the Joint Factories using the equipment supplied by us share our brand name of "Broad Homes Industrial". If such products are found defective and give rise to products liability, the reputation of our products (including the products produced by our wholly-owned factories and other joint factories) may be adversely affected and we may undertake relevant liabilities or spend additional time and efforts negotiating with the relevant JF Partners, which will distract our management and in turn will have negative impacts on our operation. Furthermore, if any of the abovementioned situations occur, the fair value of such level two Joint Factories may decrease and we may record fair value loss in our financial statements, which may have negative impact on our financial performance.

There may not be sufficient market demands for the PC units manufactured by Joint Factories, which may have negative impact on Joint Factories' and our business operation and financial performance as well as the expansion of Broad Homes United Program and our PC equipment manufacturing business in the long-run.

We invest in joint factories in regions where market demand for PC units we consider is favorable. We cannot assure you that our analysis of the market conditions and demand is accurate and that the local market will grow as we expect or at all. If the market does not grow as we expect or the market conditions change, there may not be sufficient market demands for the PC units manufactured by Joint Factories. As a result, the business operation and financial performance of Joint Factories could be adversely affected and may not meet our expectation, which, in turn, would have negative impacts on our business operation and financial performance since we recorded some of the Joint Factories as associates. In addition, we plan to continue expanding the landscape of Broad Homes United Program and establishing more joint factories across China in the future. If the market demand is not sufficient to support the expansion of the joint factory network, the expansion of Broad Homes United Program may be slowed down. In addition, substantially all of our PC equipment was sold to the Joint Factories during the Track Record Period, and we expect the sales to joint factories will continue to contribute a substantial amount of sales of our PC equipment in the near future. As such, the long-term development of our PC equipment manufacturing business could be adversely affected if the development of Broad Homes United Program were negatively affected.

Valuation methods for our investments may involve subjective judgments, and our financial condition and results of operation may be materially and adversely affected by gains or losses arising from changes in the fair value of our investment in joint factories and investment properties.

During the Track Record Period, we invested in the Joint Factories with selected local partners through Broad Homes United Program to manufacture PC units. The Joint Factories are recorded as associates or financial assets at fair value through profit or loss. Associates are entities in which we have significant influence on their financial and operational policy decisions while for those we do not have significant influence on, we record the interest in those Joint Factories as financial assets at fair value through profit or loss upon loss of significant influence. We record one-off gains or losses on loss of significant influence of certain associates when our certain Joint Factories are remeasured as financial assets at fair value through profit or loss. Due to its non-routine nature, any significant amount of such gains or losses may materially and adversely affect our profit for a specific period. During the Track Record Period, certain Joint Factories were remeasured as financial assets at fair value through profit or loss using market approach. In 2018 and the four months ended April 30, 2019, we recorded gains on loss of significant influence in associates of RMB261.5 million and RMB87.3 million, respectively. During the Track Record Period, we also held certain investment properties which were measured at fair value. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we recorded valuation gains on the investment properties of nil, RMB14.0 million, RMB53.9 million and nil, respectively.

The fair value of our investment in Joint Factories that are measured as financial assets at fair value through profit or loss and investment properties was measured based on assumptions that are not supported by observable market values (i.e. significant unobservable inputs) during the Track Record Period. Please refer to Note 32(e)(ii) in the section headed "Appendix I - Accountants' Report" for more details. During the Track Record Period, fair value of our investment in Joint Factories that are measured as financial assets at fair value through profit or loss was determined using comparable transaction method and the significant unobservable input used in the fair value measurement are implied Price/Invested Capital multiple and P/B multiple; and fair value of our investment properties was determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or a discount specific to the quality of our buildings compared to the recent sales. Changes in these unobservable inputs will affect the estimated fair value of financial assets at fair value through profit or loss and our investment properties at the end of each of the financial reporting period. Given the inherent uncertainties in measuring the fair value of our investment in Joint Factories that are measured as financial assets at fair value through profit or loss and investment properties, any material and adverse changes in fair value could materially and adversely affect our financial position and results of operations. In addition, the fair value of our investment in Joint Factories that are measured as financial assets at fair value through profit or loss and our investment properties may vary by the valuer and valuation method employed, as well as other factors and the fair value itself may not necessarily reflect the actual and liquidated value of our investments in these Joint Factories and our investment properties when such investments are realized.

During the Track Record Period, we did not record change in the fair value of our investment in Joint Factories that are measured as financial assets at fair value through profit or loss or valuation loss on the investment properties. We cannot assure you that we can record positive changes in the fair value in our investment in Joint Factories that are measured as financial assets at fair value through profit or loss or comparable valuation gains on investment properties in the future or even incur losses, which may have an adverse effect on the profitability of our business.

We recorded gains of non-routine nature during the Track Record Period.

During the Track Record Period, we recorded gains that are of non-routine nature. For example, for the year ended December 31, 2017, we recorded gains on disposal of subsidiaries of RMB13.5 million; for the year ended December 31, 2018, we recorded gains on disposal of subsidiaries of RMB108.4 million, gains on loss of significant influence in associates of RMB261.5 million and gains on disposal of associates of RMB11.5 million; and for the four months ended April 30, 2019, we recorded gains on loss of significant influence in associates of RMB87.3 million, gains on disposal of partial interest in associates of RMB7.6 million and gains on disposal of associates of RMB512, respectively. Such gains are of non-routine nature, which may not be used as an indication for our financial performance for the future years. We cannot assure you that we would record similar gains on loss of significant influence in associates, gains on disposal of partial interest in associates, gains on disposal of subsidiaries, gains on disposal of associates or at all or even record loss on the aforementioned items in the future years.

We have limited customer base for our PC equipment, and our PC equipment production is exposed to OEM risks.

Substantially all of our PC equipment was sold to the Joint Factories during the Track Record Period. Therefore, we have a limited customer base for PC equipment, and the growth of the demand of our PC equipment mostly relies on the expansion of the Joint Factories, i.e. the successful implementation of Broad Homes United Program. If we cannot effectively expand our network of Joint

Factories, or Broad Homes United Program cannot be implemented successfully, our PC equipment manufacturing business may be materially and adversely affected. Furthermore, after the completion of the nationwide strategic layout of joint factories, their demand for new PC equipment may decrease, and we may have to rely on the demand from external independent customers or expansion plans of existing joint factories or upgrade of PC equipment for the development of our PC equipment manufacturing business. We may have difficulties adapting to the needs or demand of external independent customers which could be very different from that of the Joint Factories. In addition, the existing Joint Factories may not successfully implement their expansion plan or we may not be able to successfully upgrade our PC equipment. In case of any of the above, our PC equipment manufacturing business may not grow as we expected or at all, and our business financial condition and results of operation may be materially and adversely affected.

Our PC equipment is produced by OEM service providers and such equipment uses our brand name of "Broad Homes Industrial". As such, we may have limited control over the product quality manufactured by the OEM service providers. In addition, we may be exposed to other inherent OEM risks. We offer the OEM service providers the designs and production methods of PC equipment. There is no guarantee that such designs and production methods will not be copied by the OEM service providers or be used for other improper purposes nor guarantee that Joint Factories will not purchase PC equipment directly from the OEM service providers. Also, we cannot assure you that the OEM service providers can deliver the PC equipment as scheduled according to the commissioning contract. Delay of delivery by the OEM service providers may defer the construction schedule of joint factories and thus delay the time to commence product. Moreover, the OEM service fees charged by the OEM service providers may increase along with the prices increase of raw materials prices, which may materially and adversely affect the profitability of our PC equipment manufacturing business.

Our research and development efforts may not produce anticipated results, and we may not be able to develop PC unit products, PC equipment and management system which can cater for the rapidly changing market demand in a timely manner to maintain our competitiveness and profitability.

Our core competitiveness to maintain our leading position in the prefabricated construction industry lies in improving construction efficiency through industrialized production and realizing intellectual construction. To maintain our competitive edge, we endeavor to continuously develop new and innovative PC unit products and PC equipment and/or enhance our existing production lines to ensure our products meet the evolving requirements of our customers. However, we cannot assure you that our efforts in research and development capabilities may achieve expected results or at all. In addition, we may not be able to successfully bring newly-developed products to the market, or our competitors could develop, manufacture and sell more advanced and price-competitive products in the market than ours. If any of the foregoing were to occur, demand for our products could be materially and adversely affected, which would result in a material adverse effect on our business, financial condition and results of operations.

Currently, we rely on PC Maker I to conduct structure design, structure calculation and to draft working drawing and drawing list according to customers' requirements. We also rely on PC-CPS to manage suppliers, arrange for production and final account. To meet the ever-changing customer demand and the requirements for more reliable performance, better efficiency and higher safety standard under different working conditions, the technology of the prefabricated construction industry evolves rapidly. To maintain our leading market position in the industry in China, we continue designing and developing efficient softwares, standards and data models, optimizing resource allocation in each session of prefabricated construction and accelerating our development in digitalization and platformization so as to achieve full process operation on the platform and improve productivity by improving equipment utilization rate. In the future, we plan to develop PC Maker series softwares which could cover the whole process of design, production and construction and integrate the earlier stage of design and production, the middle stage of resource allocation and project construction, and the later stage of project settlement. As such, we have devoted substantial resources to research and development activities. In 2016, 2017 and 2018 and the four months ended April 30, 2019, our total research and development expenditure (including research and development expenditures capitalized and accounted as expenses) was RMB116.6 million, RMB143.3 million, RMB207.7 million and RMB63.0 million, respectively. However, we cannot ensure our research and development activities would achieve expected results. Our technology development may delay or fail, or may not be able to closely follow the technology trend in the prefabricated construction industry. Failure to develop and launch updated software and management system according to the prefabricated construction industry development trend in a timely manner, or at all, will weaken our competitiveness and profitability.

We may be subject to product liability claims or losses due to defective products and improper product installation, which may harm our reputation and materially and adversely affect our business, financial condition and results of operation.

We provide PC units and PC equipment to customers and may be subject to product liability claims caused by defects in research and development, manufacture, sales and installation.

In our PC unit manufacturing business, we have established product quality control policies for our PC unit production. However, the effectiveness of such quality control policy depends on multiple factors, including the design of quality control system, quality control training program and our capability of ensuring that employees are in compliance with quality control policy and guidelines. Therefore, we cannot guarantee that our quality control policy can be implemented effectively. If defects occur, we may not be able to correct the defects at a reasonable cost and in a timely manner, or at all. In our PC equipment manufacturing business, our PC equipment are produced by OEM service providers according to our designs and production method. As we have limited control over the OEM production process, we cannot guarantee the quality of PC equipment produced by OEM service providers.

We supply PC units for prefabricated construction projects, deliver products to designated locations and provide installation recommendations according to customer requirements. We also install the PC equipment for our clients in PC equipment manufacturing business. The proper functioning of the PC units and PC equipment relies on correct installation. We cannot guarantee that construction workers will strictly comply with our installation recommendation and install the PC units correctly. Nor can we guarantee the proper installation of PC equipment. As a result, we may be subject to claims caused by improper product installation.

If defective products or improper installation of our products cause personal injuries, property losses or other losses to the customers, we may be held liable for product liability claims under the PRC laws or laws of other jurisdictions in which our products are sold or used. In certain jurisdictions, such as the PRC, where strict liability is imposed on product defects, we may incur liability for accidents or incidents involving our products for reasons that we are not responsible or for any claims arising from improper product installation for reasons which we cannot prove irrelevant to us. In addition, we generally do not carry product liability insurance for our products nor third-party liability insurance for personal injuries. Any such claims may result in costly litigations and may adversely affect our results of operations, financial condition and profitability.

If our products are proven to have quality issue, fail to comply with national or industrial standards, or have potential risks to the safety of humans and properties, we may have to repair such products for free, be subject to penalties, revocation of operation licenses or permits, or suspension of production or sales of our products, or be ordered to adopt corrective measures. If the installation of our products is proven to be improper, we may be subject to penalties or be ordered to adopt corrective measures. Product quality problems may affect our reputation and brand names, resulting in a decreased demand for our products and stricter scrutiny by regulatory agencies over our operations.

We cannot guarantee that there will not be any serious incidents related to product quality or caused by improper product installation in the future. Any claims against us, regardless of their merits, may materially and adversely affect our financial condition. If we recall any of our products or are punished by government authorities, our business, financial condition, results of operations and reputation could be adversely affected.

Our production capacity expansion may not be able to cater for rapidly growing market demand and our business expansion.

As of April 30, 2019, the annual production capacity of our wholly-owned factories for PC units production was 1,665,000 cubic meters, while that of the Joint Factories was 3,920,000 cubic meters. If the market demand for PC units rapidly increases, our production capacity growth may not be able to meet the market demand in a timely manner. The pace of our production capacity expansion may not satisfy our business expansion either. We may incur additional expenses in respect of facilities, equipment, employees for the expansion of our production capacity. In case our production capacity is unable to satisfy the demand of our customers, we may have to adopt OEM model for PC unit production in certain regions. As such, we cannot guarantee that we are able to locate appropriate OEM service providers in a timely manner and we may be subject to similar inherent risks of OEM model as those in our PC equipment manufacturing business. If any of the foregoing were to occur, our business, financial condition, results of operations could be adversely affected.

We may not be able to manage the inventory effectively.

We endeavor to maintain the best inventory level so as to fulfill clients' needs. We generally maintain the inventory for PC units at a level that we consider sufficient for production and sales for about one standard floor. We rely on PC-CPS to estimate the demand for our PC units. If PC-CPS fails to operate effectively, or the clients' demand for our products drastically increases in a short period of time, we cannot assure you that we can produce sufficient PC unit products to satisfy the contract supply requirements in a timely manner.

Furthermore, a large amount of inventory will occupy our cash flow. As PC units are customized according to the requirements of a specific project, we cannot utilize excess PC unit inventory in other projects. If we cannot manage the inventory effectively, our production operation may be adversely affected.

Labor shortage or increase in labor cost may affect our business growth profitability.

Our production operations rely on recruiting and retaining qualified workers and successful training of these workers to equip them with skilled craftsmanship and qualified technology to operate our production equipment in wholly-owned and joint factories. With the deterioration of aging problem of workforce in the PRC, workers with health conditions suitable for the construction and manufacturing industry are in short supply. As a result, we may incur more costs to hire suitable workers. If our recruitment and retention efforts are not successful, qualified workers may not be integrated into our workforce in a timely manner to meet our business needs.

For the years ended December 31, 2016 and 2017 and 2018 and the four months ended April 30, 2019, our staff costs were RMB248.5 million, RMB358.0 million, RMB443.6 million and RMB158.9 million, respectively. It is expected that the labor cost in the PRC will continue to increase, and the PRC government may formulate additional laws and regulations on labor protection, such as increasing the statutory minimum wage. Such development may place heavier burden on us as an employer and we may have to pay more benefits to employees. Any significant increase in our direct labor cost will increase the cost of sales of PC units. If we cannot transfer the increased cost to customers, our business, financial condition and results of operations may be materially and adversely affected.

During the Track Record Period, we did not experience any labor shortage or significant increase in labor cost which had a material impact on our daily operation or profitability. However, we cannot guarantee that we will not experience shortage of skilled labor or the labor cost will not increase in the future or that our project progress or profitability will not be adversely affected.

Our backlog may not be indicative of our future results of operations.

Backlog represents the total contract value of outstanding products or services at a specific date. The outstanding contract sum of our construction contracting business represents the estimated contract sum of outstanding construction as of a specific date. Project contract value represents the estimated amount receivable under contract terms assuming that the contract is performed pursuant to its terms. Backlog is not a measure defined under the PRC GAAP nor IFRS and may not be indicative of future operating results. As of April 30, 2019, our total backlog was approximately RMB5,185.1 million. For the PC unit manufacturing business, as our supplies of PC units and PC equipment and revenue recognition in construction contracting projects are largely subject to the construction progress of the project, we cannot assure that our backlog will be recognized as revenue according to our expected progress. For details, please refer to the section headed “Business—Backlog and New Contract Value”.

However, our current backlog is based on the assumption that our relevant contracts will be fully performed in accordance with the terms. Termination or modification of any one or more major contracts may have a substantial and material effect on our backlog. However, we cannot guarantee that the estimated amount in our backlog will be realized in full and in a timely manner, or at all, or that, even if it can be realized, such backlog will turn into profits as expected. Therefore, you should not rely on the backlog information presented in this prospectus as an indicator of our future revenue and profit.

We are subject to litigation risks.

In the ordinary course of business, we may be involved in litigations related to customers and suppliers from time to time. Claims may be brought against us for alleged defective work, liabilities for defective products, delayed delivery of goods and services, personal injuries and deaths, breaches of warranty, delayed payments to our suppliers, labor disputes or late completion of projects or other contracts. If we were found to be liable on any of the claims, we would have to incur additional costs. Both claims brought against and by us, if not resolved through negotiation, may be subject to lengthy and expensive litigation or arbitration proceedings. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and adversely affect future business opportunities. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any material outstanding litigation or arbitration that individually involves an amount in controversy that exceeds RMB5 million.

We may not be able to detect and prevent fraud or other misconduct which may be committed by our employees or third parties.

Fraud and other misconduct which may be committed by our employees or third parties can be difficult to prevent or detect despite our internal control and corporate governance practices. Such illegal actions could subject us to financial losses and harm our business and operations. In addition to potential financial losses, improper acts of our employees or third parties could subject us to third-party claims and regulatory investigations. Any fraud or other misconduct committed by our employees or third parties could have an adverse effect on our reputation, business, financial condition and results of operations.

We are subject to environmental regulations and may be exposed to potential costs for environmental compliance. Our failure to comply with environment regulations may subject us to penalties.

Our operations are subject to environmental laws and regulations relating to, among others, gas and water emissions, noise, hazardous substances and waste management. We must obtain clearances and authorizations from governmental authorities for the treatment and disposal of any discharge. The construction and operation of our production facilities and equipment may also have an impact on the environment. We cannot assure you that our facilities and equipment could continuously satisfy the requirements under applicable environmental laws and regulations from time to time. Any violation of these laws and regulations may result in substantial fines, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures. In addition, if the construction project that we participate in as the PC unit supplier or as the construction contractor fails to comply with environmental regulations, such construction project may be required by environment authority to cease construction for rectification. Under such circumstance, as the PC unit provider, we will also cease the production of PC units, which in turn may disrupt our original production plan and adversely affect our business.

Moreover, the PRC government may take steps towards the adoption of more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount of environment expenditures and time may vary substantially from those originally anticipated. If there is any change in the environmental laws and regulations, we may need to incur substantial capital expenditures to comply with environmental protection laws and regulations, including the costs of installing, replacing or upgrading our equipment related to pollution control and noise reduction and the costs of operational changes to limit any adverse impact of our operations on the environment. Any limitations or costs incurred as a result of our non-compliance with environmental laws and regulations may have an adverse effect on our business, financial condition and results of operations.

We have limited control over the quality, availability and performance of our construction subcontractors.

For our construction contracting business, we subcontract certain of our construction services from time to time. We conduct regular quality inspections of our subcontractors' work. However, we cannot guarantee the performance and work quality of our construction subcontractors as we may not be able to monitor the operations of our subcontractors as directly and efficiently as we do with our own operations. If a construction subcontractor fails to meet our quality standards or breaches our subcontracting agreement, and if we are unable to hire alternative construction subcontractors in a timely manner or on favorable terms, or at all, our operations may be delayed, which could harm our reputation and adversely affect our business, financial condition and results of operations. Moreover, we may be subject to additional costs if we are required to hire alternative construction subcontractors, which would lower the efficiency and profitability of our operations.

In addition, we may be required to bear the liability arising from any defects in our construction subcontractors' work and thus may be subject to claims arising from any such defective work. We may attempt to seek indemnity from the relevant construction subcontractors in the event a liability claim is brought against us with respect to their performance, but we may be required to compensate our customers before we are able to recover such amounts. In the event that we are unable to seek indemnity from our construction subcontractors or we remain uncompensated for a protracted period of time, we may be required to bear significant financial burdens, in which case our business, financial condition and results of operations could be materially and adversely affected.

We have limited control over our subcontracted workers.

As is customary in the PRC construction industry, we only employ a limited number of construction workers and subcontract most of the labor. As such, we may have limited control over our subcontracted workers. Given the large number of our subcontracted workers and the high labor turnover in the construction industry, if we are not able to accurately screen and ascertain the level of skill and experience of our subcontracted workers, or our subcontractors do not make full contributions to social insurance and housing provident fund for subcontracted workers, or if there are injuries and accidents involving our subcontracted workers, our project schedule may be delayed and we may be liable for liquidated damages for such delays. We may also be subject to claims brought against us by our subcontracted workers. In such an event, our reputation, business, financial condition and results of operations may be materially and adversely affected.

Our operations require certain permits, licenses, approvals and certificates, and we are subject to periodic inspections, examinations, inquires, and audits by regulatory authorities. Any revocation, cancelation or non-renewal of which could significantly hinder our business and operations.

We are required to obtain and maintain valid permits, licenses, certificates and approvals from various governmental authorities or institutions under relevant laws and regulations for some of our business. We must comply with the restrictions and conditions imposed by various levels of governmental agencies to maintain our permits, licenses, approvals and certificates. For details, please refer to the section headed "Business—Licenses and Qualifications". If we fail to comply with any of the regulations or satisfy any of the conditions required for the maintenance of our permits, licenses, approvals and certificates, our permits, licenses, approvals and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could materially and adversely affect our business, financial condition and results of operations.

In order to ensure our compliance with the restrictions and conditions required for maintaining our permits, licenses, approvals and certificates, the PRC governmental authorities at various levels conduct routine or special inspections, examinations, inquires and audits on us. We may be subject to suspension or revocation of the relevant permits, licenses, approvals or certificates, or fines or other penalties due to any non-compliance identified as a result of such inspections, examinations, inquiries and audits. During the Track Record Period and up to the Latest Practicable Date, we did not experience any revocation or cancelation of our permits, licenses, approvals or certificates. We cannot assure you that we will be able to maintain or renew our existing permits, licenses, approvals and certificates or obtain future permits, licenses, approvals and certificates required for our continued operation on a timely basis or at all. If we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary permits, licenses, approvals or certificates, our qualification to conduct our various businesses may be adversely affected. As a result, our operation may be disrupted and our business, financial condition and operation results may be materially and adversely affected.

We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness.

We rely on a combination of patents, trademark registrations, non-competition and trade secret laws and confidentiality agreements with our employees to protect our intellectual property rights. As of April 30, 2019, we had 126 registered trademarks, 515 authorized patents, 47 trademarks undergoing application process and 439 pending patent applications in the PRC. Further, we own other intellectual properties such as non-registered trade secrets, and proprietary technologies, procedures and processes. For details, please refer to the section headed "Business—Intellectual Property Rights". We cannot guarantee that the measures that we have taken will be sufficient to prevent any misappropriation of our intellectual property rights or that our competitors will not independently develop, or obtain through licensing, alternative technologies that are substantially equivalent or superior to ours. Furthermore, we cannot ensure that all of our registration applications will be successful, or our registered intellectual property rights will not be subject to any objection. In the event that the steps we have taken and the protection afforded by law do not adequately safeguard our intellectual property rights, or we are not able to register or defend our intellectual property rights, or our competitors exploit our intellectual property rights in the manufacturing and sale of competing products in the markets we operate, our business could be materially and adversely affected.

Intellectual property laws in the PRC are still evolving and the level of protection and means of enforcement of intellectual property rights in the PRC differ from those in other jurisdictions. Enforcement of our intellectual property rights could be costly, and we may not be able to immediately detect unauthorized use of our intellectual properties and take the necessary steps to enforce our rights over such properties. In the event that the measures taken by us or the protection afforded by laws do not adequately safeguard our intellectual property rights, we could suffer losses in revenue and profits due to competing sales of products and services that exploit our intellectual property rights.

We may face claims for improper using or infringement upon intellectual property rights owned by others.

We use intellectual property rights in our operations that are owned by others, and we also develop (independently or with other parties) intellectual property rights based on the original intellectual property rights for use in our operations or licensing to our clients. There can be no assurance that our use or licensing of any of such intellectual property rights, or of new intellectual property rights developed from such intellectual property rights, will not be challenged or that we would be able to successfully defend ourselves if challenged. If any such challenge by third parties is successful, we may not be able to use or license such intellectual property rights, which may have a material and adverse effect on our operations if such intellectual property rights involved are crucial to our business.

We could also face claims from third parties that we are improperly using intellectual property rights owned by them or otherwise infringing upon their rights in intellectual property. Irrespective of validity or the successful assertion of such claims, we could incur costs in either defending or settling any alleged intellectual property rights infringement. Adverse rulings in any litigation or proceedings could result in the loss of our intellectual property rights and subject us to significant liabilities or even business disruption. Any potential property intellectual property rights litigation against us could also force us to (amongst others) cease selling the challenged products, develop non-infringing alternatives, or obtain licenses from owners of the infringed intellectual property. We may not be successful in developing such alternatives or obtaining licenses on reasonable terms or at all, which could damage our reputation, subject us to operation disruption and materially and adversely affect our financial condition and profitability.

As of the Latest Practicable Date, we were involved in one pending litigation of invention patent related to one of our products. If we fail to contest this lawsuit, we may be required to cease the production of the products involved in the litigation, or develop alternative products or obtain licensing to use such patent, which in turn will materially and adversely affect our reputation, business, financial condition and results of operation. For details, please refer to the section headed "Business—Intellectual Property Rights".

Loss of our directors, senior management executives, senior technicians and employees with expertise could adversely affect our business and prospects.

The growth of our business operations depends on the continuous service of our directors and senior management executives. Our senior management have substantial experience in the prefabricated construction industry. In particular, Chairman Zhang is responsible for overall strategic planning and management of business operations of the Company, and is instrumental to the achievements that we have obtained. For details of our senior management, please refer to the section headed "Directors, Supervisors and Senior Management". We will require an increasing number of experienced and competent senior management executives in the future to implement our growth plans. If one or more of our directors and senior management executives were unable or unwilling to continue in their present positions, we might not be able to replace them easily, or at all, and our business, financial condition and results of operations may be materially and adversely affected.

Our future success also depends, to a significant extent, on, amongst other things, our ability to attract and retain a large number of qualified, highly skilled and experienced research and development personnel, engineers as well as other skilled employees with industry related experience and expertise. Our research and development team with expertise in the prefabricated construction industry is critical to our technology development. Our senior technicians and quality control team are also essential for ensuring sufficient supply and high quality of our products. Our ability to attract and retain key personnel is a critical aspect of our competitiveness. However, competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them, which would increase our operating expenses, and in turn materially and adversely affect our financial condition and results of operations.

Our operations are subject to operational hazards, adverse weather conditions, natural disasters and occupational hazards.

Some of our manufacturing facilities, raw materials and certain finished products may be potentially destructive and dangerous under uncontrollable or catastrophic circumstances, including operational hazards, fires and explosions as well as adverse weather conditions and natural disasters such as snowstorms, typhoons, landslides, flood, earthquakes and major equipment failures, for which we cannot obtain insurance at a reasonable cost or have insurance coverage at all.

Our operation sites are also subject to a number of risks, some of which may be beyond our control. These risks include unexpected machinery maintenance and critical equipment failures which may occur from time to time to machinery and equipment that are essential to our operations. Should we experience machinery and equipment damage or failure and if we are unable to make the necessary repairs or replacements in a timely manner, our operations may be temporarily disrupted or suspended, which would lead to an increase in our labor costs or result in property damage, or affect our results of operation.

In addition, construction sites are subject to potential dangers as our employees, subcontract workers and other personnel in our construction projects work in close proximity with heavy construction machinery and equipment, moving motor vehicles, highly regulated and volatile materials, and chemical processes. Despite our implementation of safety policies and standardized construction methods and technologies, we continue to be subject to risks arising from these activities, such as equipment failures, industrial accidents, geological catastrophes, fires and explosions. These hazards may cause personal injury or fatalities, as well as damage to or destruction of our property and equipment. For details, please refer to the section headed "Business – Health, Safety and Environment Matters". We cannot guarantee that material workplace accidents will not occur in the future despite our safety policies and measures. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs, damage to our reputation and losses of future business, which may materially and adversely affect our business, financial condition and results of operations.

Our internal computer systems, or those used by our contracted research organizations or other contractors or consultants, may fail or suffer security breaches.

Despite the implementation of security measures, our internal computer systems and those of our contracted research organizations and other contractors and consultants are vulnerable to damage from computer viruses and unauthorized access. As of the Latest Practicable Date, we had not experienced any material system failure or security breach. However, occurrence of such failure or breach would result in a material disruption of our business operations and our development programs.

We rely on PC Maker I and PC-CPS to carry out daily operations. In the ordinary course of our business, our PC Maker I and PC-CPS collect and store sensitive data, including, among other things, legally protected business information, such as clients' information and suppliers' information. We manage, maintain and backup our information utilizing self-owned and outsourced cloud platform.

These applications and data encompass a wide variety of critical business information including research and development information, commercial information and financial information.

As information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our company or vendors that provide information systems, networks, or other services to us may increase risks. Such disruptions may be caused by events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. In addition, our disaster recovery planning may not be sufficient to cover all eventualities, and we may not have adequate insurance coverage to compensate for any losses associated with such events.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our company and our contract research institutes, including clients' information and vendors' confidential data. As of the Latest Practicable Date, there were no material threats to our data and systems, including malicious codes and viruses, phishing, and other cyber-attacks. Given the domestic and international security situation of network information is becoming increasingly dangerous, the number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our contracted research institutes occurs, the market perception of the effectiveness of our security measures could be harmed and our reputation and credibility could be damaged. We could be required to expend significant amounts of money and other resources to repair or replace information systems or networks. In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigations involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have a process to identify and mitigate threats, the development and maintenance of these systems, controls and processes are costly and require ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. Moreover, despite our efforts, the possibility of these events occurring cannot be eliminated entirely.

Our operating results are subject to seasonal fluctuations.

The demands of our PC units and our PC equipment are subject to seasonal fluctuations. We usually record the lowest quarterly sales in the first quarter due to the Chinese New Year's holiday and cold weather. As advised by Frost & Sullivan, workforce shortage generally occurs during the Chinese New Year's holiday, as well as cold weather negatively impacts the construction activity. Consequently, the new floor area of construction projects in the first quarter is generally at the lowest level in the entire year, which results in lower market demand of PC units. Meanwhile, our PC equipment manufacturing business may also experience the longer lead time and delay in installation and commissioning. Therefore, it is an industry norm that the quarterly revenue of PC unit manufacturing and PC equipment manufacturing business accounts for a relatively smaller portion of the revenue in an entire year. In addition, certain climatic conditions, such as snow, storms and heavy or sustained rainfall, also negatively affect our sales because the level of activity in the construction industry is relatively low under those conditions. As a result of the seasonal fluctuation, our quarterly results may not be indicative of our business and financial performance for the year as a whole.

Our business expansion plan involves certain risks and uncertainties.

For sustainable development, we need to continue to explore regions with potentials in the PRC for opportunities of development. We may not be able to explore geographical locations with potentials for development in order to expand our market coverage or operate new projects. For our selected geographical locations, we may need to compete intensely with our counterparts in the prefabricated construction industry and traditional construction industry as well as those which have similar expansion plans with extensive experiences and established market positions. Since we may face unprecedented challenges, we may not be able to identify or accurately evaluate the risks or leverage on the potential opportunities. Besides, our experiences in the current market and our business model could not be easily transferred or replicated to the new market of our target cities. We may not be able to find suitable cooperation partners in the new market to establish joint factories. The construction market of our target cities may differ in terms of their local economies and level of industrial development, local government's policies and support, stages of development of local businesses, demand in the market to our products and services, the types of construction projects to be developed and their cycles of development. We might not be able to leverage on our established brand name and reputation in the new market as in our current market. Furthermore, the administrative, regulatory and taxation environment may differ, which may incur additional expenses or difficulties when complying with new procedures and adapting to new environment in the new market. Moreover, we might not possess as much experience as other local competitors in the knowledge of local governments, business norms, regulations and customers' preferences, placing us in a disadvantaged position. As we continue to expand, we must keep improving our management, development and operating profession capability as well as allocation of resources. In order to manage and conduct our enlarged business, we need to continue on recruiting and training personnel in the management, accounting, internal auditing, engineering, technology, sales and other sectors, including those who possess local market knowledge, so that we could meet the requirements of business expansion. To fund our continuous operation and future development, we need to possess sufficient internal capital resources or acquire additional external financing.

Entry into overseas markets exposes us to the risks and restrictions related to our international business and operation.

We plan to leverage on our products with proprietary technologies to enter into the overseas markets. Overseas sales will be subject to various risks and restrictions in relation to offshore national and regional business operation, including:

- Compliance with overseas laws, regulatory requirements and local industry standards, in particular, the laws, regulatory requirements and local industry standards relating to prefabricated construction;
- Exposure to litigation risks outside the PRC;
- Political and economic instability;
- High entry barriers in certain developed foreign markets;
- Foreign exchange risk;
- Unfamiliarity with local operation and market conditions;
- Difficulties in language and culture;
- Trade tension, trade restrictions, technology barriers, protectionism and economic sanctions;

- Competitions with other international prefabricated construction companies;
- Local practices on contract bidding and payments;
- Difficulties in deploying and managing overseas business personnel after localization, including managing an increasing number of employees on a global scale and complying with various labor regulatory requirements of different jurisdictions;
- Stringent environment, safety and labor standards; and
- Managing relationships with and collecting payments from overseas customers.

Any of the aforesaid and related risks and uncertainties could affect our international operations, which in turn could adversely affect our financial condition and results of operations.

We cannot predict the potential impacts on the feasibility and costs of our proposed investment or acquisitions caused by the current condition of foreign economy or future changes of overseas economic or political conditions. Any of the above factors could materially affect our overseas plan, causing material impacts on our business, prospects, financial condition and results of operation.

Our business expansion requires significant cash flows but we cannot guarantee that we will have adequate funds or will be able to obtain additional financing under reasonable terms.

Cash flow generated from operation may not be sufficient for all our cash requirement as our business expansion requires significant cash flows and we may need additional funds to cope with business challenges. However, our ability to raise borrowings may be adversely affected by factors that are out of our control. Interest rates raised by the PBOC or market intervention faced by the U.S., the European Union and other countries may increase our borrowing costs or adversely affect our ability to obtain resources of liquidity. We cannot guarantee that we will be able to obtain external financing with competitive exchange rates, or at all. We may be required to provide extra pledges to obtain such financing. Any of those conditions may adversely affect our ability to fund our operation, repay debts or implement growing strategies. As a result, our business, financial condition and results of operation may be materially and adversely affected.

We had not obtained the valid title certificates for certain properties and land that we own and occupy.

For certain properties and land we occupy in the PRC, we, or our landlords, have not yet obtained the title certificates that allow us to freely use or transfer the properties that we own and occupy. For example, as of April 30, 2019, we had certain properties, with an aggregate GFA of approximately 24,664.2 sq.m., for which we had not yet obtained the building ownership certificates; with respect to our leased properties, we had seven buildings, with an aggregate GFA of approximately 45,659.5 sq.m., for which our landlords had not yet obtained the building ownership certificates; and with respect to our leased land, we had one parcel of land, with an aggregate site area of approximately 30,000.0 sq.m., for which our landlord could not provide the valid land use right certificate. These properties and land are primarily used for production, office, investment, staff housing and storage purposes. For details, please refer to the section headed "Business—Properties". We cannot predict how our rights as owners and lessee of these properties and land and our business operations and financial condition may be materially and adversely affected as a result of the absence of legal title to these properties. We cannot assure you that ownership disputes or claims will not occur or that third parties will not assert any claims against us for compensation in respect of any illegal and/or unauthorized use of their properties. In that case, we face with business disruption and have to relocate our production facilities and equipment. We cannot guarantee that we can locate suitable premises with reasonable costs, or at all. As a result, our business, financial condition and results of operation may be materially and adversely affected.

Our selection of location of our wholly-owned factories may not be successful and we are faced with risk in relation to property lease agreements of our production facilities.

We intentionally choose the location of our wholly-owned factories in or close to major and provincial capital cities as we believe the urban development of these cities will generate large market potential and demand for our products. However, the actual market demand for our PC units may not be as expected since such market demand is subject to various factors out of our control. We entered into short term lease agreements with landlords to lease certain properties for our wholly-owned factories, which are used for industrial and operation plants, employee quarters and factory ancillary facilities. Upon expiration of the lease terms, we may not be able to renew the lease agreements at reasonable costs, or at all. As a results, our business operation may be disrupted and our business, financial condition and results of operation may be materially and adversely affected.

Our current insurance coverage may not be adequate, and we may not be able to obtain insurance at acceptable rates.

We purchase and maintain insurance policies in accordance with our business needs and the requirements under relevant laws and regulations. However, we cannot guarantee that our insurance policies will provide adequate coverage for all of the risks in connection with our business operations. For instance, we do not carry any property insurance with respect to our production facilities nor the construction projects that we are involved in. In addition, we generally do not carry product liability insurance for our products. Nor do we carry third-party liability insurance for personal injuries for all of our employees. Furthermore, due to variety of factors, such as increase in claims, we may not be able to obtain insurance at an acceptable rate which may provide the coverage we need.

Accidents or natural disasters may result in significant property damage, disruption of our operations and personal injuries or fatalities, and our insurance coverage may be inadequate to cover such losses. In the event of accidents or natural disasters, we may also lose all or a portion of our production capacity, which may result in failure to meet the orders of our customers, loss of customers as well as damage to our reputations. All or part of such losses we suffered may not be recoverable from our insurance policy. As such, our business, financial condition and results of operation may be adversely affected.

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

The appraised value of the various commercial units on Level 1-3 of Block Nos. 14-18 located at No. 709, Jianshan Road Yuelu District, Changsha City, Hunan Province, PRC, as contained in the property valuation reports included in Appendix III to this prospectus, is based on certain assumptions, including elements of subjectivity and uncertainty, and may be subject to substantial fluctuations. Therefore, the appraised value of these properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to our operation, as well as national and local economic conditions, may affect the value of properties held by us. In particular, the realizable value of our investment properties might decrease in the event that the market for comparable properties in the PRC experiences a downturn as a result of, among other factors, the PRC government policies aiming at cooling-off the PRC property market, the continued effect of the recent global economic downturn and the gradual slowdown of China's economic growth.

The appraised values of our properties and of our land are based on many assumptions, including that:

- the transferable land use rights in respect of the property interest at nominal land use fees has been granted and that any premium payable has already been fully settled;
- the respective title owner of the properties have an enforceable title of the property interest and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the government for the unexpired land use term as granted;
- the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities; and
- the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted.

If any of these assumptions proves to be incorrect and/or the actual realizable value of any of our properties is significantly lower than its appraised value, our business, results of operations and financial condition may be materially and adversely affected.

If government subsidies that we are currently entitled to in relation to our new products and research and development activities are not available or substantially reduced, our financial condition could be adversely affected.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we recorded government grants of RMB56.7 million, RMB56.1 million, RMB34.2 million and RMB11.0 million, respectively, which were recognized as other income and represented 3.4%, 2.9%, 1.5% and 1.7% of our revenue in the respective period. The government subsidies include value-added tax refunds and other non-recurring subsidies. In particular, our new wall materials products obtained the approval of VAT reduction from competent government authorities and are entitled to a tax treatment of a 50% tax refunds of the VAT levied. Other subsidies are mainly non-recurring subsidies provided by local governments supporting various industry-related research and development activities and fixed assets investments. Such government grants may be discretionary and are subject to certain selection criteria and procedures stipulated by the local governments, which we may not be qualified for in the future. In addition, local governments may switch the focus of their support of research and development activities and fixed assets investments to other industries over time. We cannot assure you that we will be able to receive any such government grants in the future, or at all. If we do not receive government grants in subsequent periods after the Track Record Period, our financial condition for such periods may be adversely affected.

RISKS RELATING TO THE PRC

China's economic, political and social conditions, as well as the regulatory policies could have a material effect on China financial markets, and our liquidity, access to capital and the ability of operating business.

Our Company is incorporated in the PRC, and our operation and assets are located in the PRC. Therefore, our operating results, financial condition and prospects depend on economic, political and legal developments in the PRC. The PRC economy differs from the economies of the developed countries in many aspects, including the extent of government involvement, level of development, growth rate, foreign exchange controls and resource allocation. Although economy in the PRC has increased substantially in the past decades, the economic growth differs from various regions and economic sectors, and there is no assurance that the growth will or can be sustainable. The PRC government has implemented various measures in order to foster the economic development and give instruction to the resource allocation. Some of these measures will benefit the overall PRC economy, but may materially and adversely affect us. For example, our financial condition and results of operation may be adversely affected by government policies on the foreign exchange control or changes in tax regulations applicable to us. If the business environment in the PRC deteriorates, our business and operation in the PRC may also be materially and adversely affected.

The PRC government's control over foreign currency conversion may limit our foreign exchange transactions, including dividend payment to holders of our H Shares holders.

Currently, RMB still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that we will have sufficient foreign exchange, under a certain foreign exchange rate, to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, if we expand into the overseas market and engage in overseas business, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to conduct foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, generally need to be approved by or registered with SAFE or its local branch unless otherwise permitted by law.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will able to pay dividends in foreign currencies without prior approval from SAFE. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy other foreign exchange requirements. If we fail to obtain approval from SAFE to convert RMB into any foreign exchange for any of the above purposes, our capital expenditure plans and our business, operating results and financial condition may be materially and adversely affected.

Fluctuation in exchange rate may adversely affect our business.

The value of RMB against US dollars, HK dollars and other currencies may fluctuate and subject to, among others, impacts of political situation and economic policies and situation. RMB is no longer pegged to the US dollar, and is based on the policy of floating exchange rate. Its value in international market is determined with reference to a basket of currency policies. We cannot predict the future fluctuation pattern of RMB. The PRC government may adopt a more flexible currency policy, which may cause significant changes in the value of RMB against foreign currencies. Most of our revenue and operating expenses are denominated in RMB. Furthermore, proceeds from the Global Offering will be collected in HK dollars. Therefore, in case of an appreciation of RMB against US dollars, HK dollars or any other currencies, the value of our assets denominated in foreign currencies and proceeds from the Global Offering may decrease. On the contrary, in case a depreciation of RMB occurs, the value of our shares denominated in foreign currencies and the respective dividend payables will be adversely affected. Moreover, the available tools with reasonable cost to reduce foreign currency risks are limited. We cannot assure you that we will be able to reduce foreign currency risks in relation to our assets denominated in foreign currencies. Besides, currently we need approval from the SAFE to exchange a significant amount of foreign currencies into RMB. All such factors may adversely affect our business, financial condition and results of operation as well as prospects while reducing the value of our shares denominated in foreign currencies and the respective dividend payables.

The interpretation of the PRC laws and regulations involves uncertainties, the current legal environment may limit the legal protections available to shareholders.

Our business operations in the PRC are governed by the PRC laws and regulations. We, and all of our subsidiaries are incorporated under PRC laws. The PRC legal system is a civil law system based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In addition, the PRC written statutes are usually principle-oriented, which require competent authorities to issue detailed interpretations for further application and law enforcement. Since 1979, the legislature in the PRC have promulgated laws and regulations regarding to economic affairs, such as foreign investment, corporate organization and governance, business trading, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to property ownership and development. However, as these laws and regulations have not been fully developed and due to the limited number of published cases and non-binding nature of prior court decisions, interpretations of laws and regulations involve uncertainties. Sometimes, the uncertainty level is relatively high. We may be bound by less favorable interpretations of laws and regulations than our competitors, depending on different government authorities or how the applications or cases are submitted to the authority. Furthermore, any of the litigations in the PRC could be deferred and lead to a huge amount of costs and resources, and distraction of management’s attention. All these uncertainties may limit the legal protection available to our investors and Shareholders.

The national and regional economies in the PRC and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in the PRC. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC. Some regions in the PRC, including the cities where we operate, are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Severe Acute Respiratory Syndrome, or SARS, H5N1 avian flu or the human swine flu, also known as Influenza A (H1N1). For instance, a serious earthquake and its successive aftershocks hit Sichuan Province in May 2008 and resulted in tremendous loss of lives and destruction of assets in the region. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in the PRC. A recurrence of

SARS or an outbreak of any other epidemics in the PRC, such as the H5N1 avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our business, which in turn may adversely affect our financial condition and results of operations.

We may be subject to additional contributions of social insurance and housing provident funds and late fees penalties may be imposed by the competent governmental authorities based on their attitude towards the requirements of making contribution to the social insurance and housing provident funds.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on the Housing Provident Fund of the PRC (《中國住房公積金管理條例》), we are required to make social insurance and housing provident funds contributions for our employees. During the Track Record Period and up to the Latest Practicable Date, the social insurance and housing provident fund contributions we made for certain employees were not based on their actual salary level, which is not strictly in compliance with the relevant laws and regulations in the PRC. For details, please refer to the section headed "Business—Employees". As of the Latest Practicable Date, we had not received any notice from the authorities requesting us to make up with the contributions or imposing any penalties, nor received any requests or claims for employees in this respect. In addition, according to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization on the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) (the "**Notice**") issued by the MOHRSS on September 21, 2018, the local government is expressly forbidden from collecting historical outstanding social insurance contributions collectively. However, we cannot assure you that the PRC government or relevant local authorities would not implement any stricter laws and regulations or interpret the current laws and regulations in a stricter manner. In that case, we may be incur additional costs, including making up the contribution or being imposed late fees penalties and accordingly, our financial conditions and results of operation may be materially and adversely affected.

Under the PRC Enterprise Income Tax Law, we may cease to be classified as a "high-tech enterprise" of the PRC and thus could result in unfavorable tax consequences to us.

During the Track Record Period, we, and a number of our subsidiaries were classified as high-tech enterprises approved by competent government authorities. We obtained numerous Certificates of High-tech Enterprise with a validity period of three years, which is expected to expire in the earliest December 2019.

Pursuant to the PRC Enterprise Income Tax Law, a high-tech enterprise may enjoy a preferential enterprise income tax rate of 15%. We recorded tax effect of tax concessions of RMB26.0 million, RMB48.3 million and RMB46.8 million for the years ended December 31, 2016, 2017 and 2018 and negative tax effect of tax concession for the four months ended April 30, 2019 due to tax losses. Despite being eligible for the high-tech enterprise rate, there is no assurance that we would remain qualified as a high-tech enterprise so as to enjoy the high-tech enterprise rate after the expiry of the Certificate of High-tech Enterprise, in which case we will be subject to the normal enterprise income tax rate of 25% as for all PRC enterprises. The effective tax rate would therefore significantly increase and may materially and adversely affect our profitability, which may have a material adverse effect on our business, financial condition and results of operation. Also, there can be no assurance that application or the interpretation of the PRC Enterprise Income Tax Law will not continue to change, in which case the effective income tax rate of us may increase significantly, and thus our profitability and financial condition could be adversely affected.

Foreign individual holders of our H Shares are subject to PRC income tax and there are uncertainties as to the PRC tax obligation of foreign enterprises that are holders of our H Shares.

Under the current PRC tax laws, regulations and rules, non-PRC resident individuals and non-resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate under the PRC Individual Income Tax Law. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the applicable foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, a withholding tax rate of 10% shall apply to the dividends paid by a company listed in Hong Kong to foreign individuals according to the treaties. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the applicable tax rate if the applicable tax rate is between 10% and 20%; and (c) withhold such foreign individual income tax at a rate of 20% if no double taxation treaty is applicable.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those which have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the EIT Law, dividends paid by us and gains realized by such foreign enterprises upon the sales or other disposition of H shares are ordinarily subject to the PRC enterprise income tax at a rate of 20%. In accordance with the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Share Holders Which are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT, such tax rate has been reduced to 10%, and is subject to a further reduction under a special arrangement or applicable treaty between the PRC and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangement mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to the PRC individual income tax at a flat rate of 20%.

In addition, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the PRC's tax authorities, including the taxation of capital gains by the non-PRC resident enterprises, individual income tax on dividends to non-PRC resident shareholders of our H shares and on gains realized on sale or other disposition of our H shares. The PRC's tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and its interpretation or application methods, the value of your investment in our H shares may be materially affected.

Payment of dividends is subject to restrictions under the PRC law.

Under PRC law, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in periods in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profit under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profit as determined under PRC GAAP, even if they have profit for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure of our operating subsidiaries to pay us dividends could negatively impact our cash flow and our ability to make dividend distributions to our Shareholders, including periods in which we are profitable.

Holders of H shares may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors, Supervisors or senior management and in taking action on the basis of violations of the Listing Rules. The interpretation and implementation of PRC laws and regulations could limit the protection available to you.

We are a company incorporated under the laws of the PRC and substantially all of our assets and subsidiaries are located in the PRC. Most of our Directors, Supervisors and senior management reside within the PRC. Most of the assets of the Directors, Supervisors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon most of our Directors, Supervisors and senior management. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal recognition and enforcement of judgments in the United States. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible in relation to any matter that is not subject to a binding arbitration provision. On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters. Under this arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remain uncertain.

Our Articles of Association provides that disputes between holders of our H shares and our Company, our Directors, Supervisors or senior management, arising out of our Articles of Association, the PRC Company Law and related regulations, concerning the affairs of our Company, are to be resolved through arbitration by CIETAC or HKIAC. Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of H shares would succeed.

RISKS RELATING TO THE GLOBAL OFFERING

We were listed on NEEQ in 2016, and the characteristics of NEEQ and the H shares market may differ.

We were listed on NEEQ in 2016. In 2017, we delisted from NEEQ. With different trading characteristics, the H shares market and NEEQ have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of H shares and NEEQ may not be comparable. Due to the different characteristics of the H shares market and NEEQ, the historical prices of NEEQ may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on our prior trading history on NEEQ when evaluating an investment in our H Shares.

There has been no prior public market for our H Shares and their liquidity and market price may be volatile. If the price of the H Shares declines or fluctuates, this could result in substantial losses for investors purchasing our H Shares in the Global Offering.

Prior to the Global Offering, there has been no public market for our H Shares. The initial Offer Price for our H Shares to the public will be agreed upon by us and the Underwriters, and the Offer Price may differ significantly from the market price of the H shares following the Global Offering. We have applied to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained. In addition, the trading price and trading volume of the H Shares may be subject to significant volatility as a result of various factors, including:

- variations in our operating results or differences between our operating results and those expected by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- announcements made by us or our competitors;
- regulatory developments or market changes in the PRC affecting us or our industry;
- any business interruptions resulting from natural disasters or accidents;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- announcements of or completions of acquisitions, strategic alliances or joint ventures by us or our competitors;
- additions or departures of our key personnel;
- release or expiration of lock-up or other transfer restrictions on our H Shares;
- liability claims brought against us;
- involvement in litigation; and
- general political, economic, financial, social development and stock market conditions and other factors.

Moreover, in recent years, stock markets in general, and the H shares issued by other issuers in the PRC and listed on the Hong Kong Stock Exchange, both have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of related companies. These broad market and industry fluctuations may adversely affect the market price of our H Shares in a similar manner.

There will be a time gap of several business days between pricing and trading of our H Shares offered under the Global Offering.

The Offer Price of our H Shares sold to the public under the Global Offering will be determined on the Price Determination Date. However, trading of our H Shares on the Hong Kong Stock Exchange will not commence until they are delivered, which is expected to be several business days after the Price Determination Date. During that period, investors of our H Shares may not be able to sell or otherwise deal in our H Shares. Accordingly, holders of our H Shares may be subject to the risk that our H Share trading price could fall before trading begins as a result of adverse market conditions or other unfavorable circumstances that may arise during the period between the Price Determination Date and the date on which the dealing begins.

Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per Share issued to existing holders of our Shares. Therefore, all investors and purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value and existing holders of our Shares will receive an increase in net tangible book value per Share of their Shares. If we issue additional Shares or equity-linked securities in the future, investors and purchasers of Shares may experience further dilution in their ownership percentage.

Future sales, or market perception of sales, of substantial amounts of our H Shares or other securities relating to our H Shares in the public market could materially and adversely affect the prevailing market price of our H Shares.

Future sales by our Shareholders of substantial amounts of our H Shares or other securities relating to our H shares in the public markets after the Global Offering, or the perception that these sales may occur, could adversely affect market prices of our H Shares prevailing from time to time. In addition, Domestic Shares can be converted into H Shares after the Listing subject to relevant laws and regulations and approvals. Please refer to the section headed "Information about this Prospectus and the Global Offering—Restrictions on Offer and Sale of Offer Shares" for a more detailed discussion of restrictions that may apply to future sales of our H Shares. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, the conversion of substantial amounts of Domestic Shares into H Shares or the perception that such sales, conversion or issuances may occur. This could also materially and adversely affect our ability to raise capital at a time and at a price we deem appropriate.

We may participate in the H share full circulation, which may lead to the dilution of your ownership proportion and the market price of our H Shares may fluctuate or drop.

H share full circulation pilot program allows the legal person shares held by the PRC enterprises listed in Hong Kong to be fully converted into transaction and circulation of H shares. The full circulation of H Share increases the market circulation, while a large number of domestic shares entering the H share market may lead to the dilution of your ownership proportion. Meanwhile, the increase may lead to market fluctuations, and even the drop of the market price of our H Shares.

Dividends distributed in the past may not be indicative of our dividend policy in the future.

In 2018, we distributed dividends of approximately RMB304.7 million, and in June 2019, we declared cash dividends of RMB10.0 (tax inclusive) for every 10 Shares with a total amount of RMB365.6 million (tax inclusive) for the year ended December 31, 2018. In addition, we resolved to distribute certain dividends prior to the Listing. For details, please refer to the sections headed "Financial Information—Dividend policy" and "Financial Information—Dividend distribution before listing." A declaration of dividends is proposed by our Board of Directors and the amount of any dividends will depend on various factors, including, but not limited to, our results of operations, financial condition, prospects and other factors which our Board determine as important from time to time. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

If securities or industry analysts do not publish research or reports about our business, or if they adversely change their recommendations regarding our H Shares, the market price for our H Shares and trading volume may decline.

The trading market for our H Shares will be influenced by research or reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publishes negative opinions about us, the market price for our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the market price or trading volume of our H Shares to decline.

Facts and other statistics in this document derived from official government publications or public database sources may not be fully reliable.

This prospectus, particularly the section headed "Industry Overview", contains information and statistics, including but not limited to, information and statistics relating to the PRC, the PRC economy and the construction industry in the PRC. Such information and statistics have been derived from various official government and other publications and from a third-party report commissioned by us. We believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as the case may be, in other jurisdictions. Therefore, you should not unduly rely upon the industry facts and statistics contained in this prospectus.

You should not to place any reliance on any information published regarding to our previous listing on the NEEQ.

As we were listed on the NEEQ, we were required to comply with China's regulations on periodic reports and other disclosures at that time. Accordingly, we have published our relevant information on the NEEQ or other media designated by the CSRC, and such information is based on the very focus of different reporting period and different aspects of business. However, at that time, the information on the NEEQ issued was based on the regulatory requirements and market practices of the PRC securities regulatory authorities that differ from those applicable to the Global Offering. Such information does not form a part of this prospectus. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus and the Application Forms. By applying to purchase H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus, the Application Forms and other formal announcements made by us regarding to the Global Offering in Hong Kong.

We strongly caution investors not to place any reliance on any information in the public domain regarding us and the Global Offering.

We have filed certain information with competent government authorities, which became publicly available. Such information is based on the very focus of different reporting period and different aspects of business. Prior or subsequent to the publication of this Prospectus, there has been or may be press and media coverage regarding us and the Global Offering, in addition to marketing materials published by us in compliance with the Hong Kong Listing Rules. In addition, there was news ("**News**") concerning Broad Homes Industrial International Co., Ltd. (the "**Broad Homes International**"), a company in which we hold approximately 29.4% of interest. As Broad Homes International is not a subsidiary of our Company, its business does not form part of our business nor its financials. We have not authorized any such press and media reports, and the financial information, financial projections, valuations as well as the News and other information about us contained in such unauthorized press and media coverage may not truly reflect what is disclosed in this prospectus or the actual circumstances. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information in the public domain nor the News, and accordingly do not accept any responsibility for any such information or the inappropriateness, inaccuracy, incompleteness or unreliability of any such information. Furthermore, so far as our Company is aware of upon making reasonable enquiry, neither Broad Homes International nor any of its subsidiaries with substantive operation had any non-compliance incidents during the period when our Company was its controlling shareholder; we, however, cannot assure you that Broad Homes International is and will be fully complying with applicable laws or regulations in the future and our reputation may be harmed by any negative news or publicity arisen therefrom. To the extent that any such information in the public domain is inconsistent or conflicts with the information contained in this Prospectus or the actual circumstances, we shall not be liable on the same. Accordingly, investors should not rely on any such information in making a decision as to whether to purchase our H Shares, and should rely only on the information included in this prospectus.

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

This prospectus contains certain statements and information that are forward looking and uses forward-looking terminology such as "expect," "believe," "could," "going forward," "intend," "plan," "anticipate," "seek," "may," "ought to," "should," "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could be proved to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant rules of the Hong Kong Listing Rules and exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, except as otherwise permitted by the Hong Kong Stock Exchange at its discretion, an issuer must have a sufficient management presence in Hong Kong, normally meaning that at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Since the headquarters and the principal operations of the Group are in the PRC, the Company does not, and in the foreseeable future, will not, have sufficient management presence in Hong Kong in strict compliance with the normal requirements under Rules 8.12 and 19A.15. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Hong Kong Stock Exchange:

(a) The Company will appoint two authorized representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules, namely, Ms. Shi Donghong (石東紅) ("**Ms. Shi**") and Ms. Leung Suet Wing (梁雪穎) ("**Ms. Leung**"), to serve as the principal channel of communication with the Hong Kong Stock Exchange on behalf the Company;

(b) The authorized representatives have all necessary means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;

(c) The Board will consist of, upon Listing, five executive Directors, one non-executive Director and three independent non-executive Directors. One independent non-executive Director is ordinarily resident in Hong Kong and the remaining eight Directors are ordinarily resident in China. All the Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet with the Hong Kong Stock Exchange upon reasonable notice;

(d) Our Company has provided the Hong Kong Stock Exchange with the contact details of each Director, including office phone number, mobile phone number, fax number and e-mail address; and

(e) We have, in compliance with Rules 3A.19 and 19A.05(2) of the Hong Kong Listing Rules, appointed Anglo Chinese Corporate Finance, Limited to act as our compliance adviser for a period commencing on the Listing Date and ending on the date when the Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. Our compliance adviser will, among other things, act as an additional and alternative channel of communication for our Company with the Hong Kong Stock Exchange and be available to answer enquiries from the Hong Kong Stock Exchange, in addition to our authorized representatives.

We will ensure that there are adequate and efficient means of communication among us, our authorized representatives, Directors and the compliance adviser.

COMPANY SECRETARY

According to Rule 8.17 of the Hong Kong Listing Rules, a listed issuer must appoint a company secretary who satisfies Rule 3.28 of the Hong Kong Listing Rules.

Rule 3.28 of the Hong Kong Listing Rules specifies that, the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. Note 2 to Rule 3.28 of the Hong Kong Listing Rules further states that in assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he played;

(b) familiarity with the Hong Kong Listing Rules and other relevant laws and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules, which requires an issuer's company secretary to take not less than 15 hours of relevant professional training in each financial year; and

(d) professional qualifications in other jurisdictions.

Ms. Shi joined our Group in December 2007 and had previously served as the finance manager, deputy manager of strategy office and manager of capital operation department of the Company successively before the appointment of her current positions (i.e. executive Director, vice president, chief financial officer and secretary of the Board of the Company). Ms. Shi has, through her holding of managerial functions of our Group for over 10 years, gained extensive knowledge about and is therefore familiar with the operations and business of our Group. Ms. Shi has been actively involved in and has worked as one of the officers-in-charge responsible for the preparation of the Listing, in the process of which she has gained familiarity with the Hong Kong Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and other applicable Hong Kong laws and regulations. She has also participated in the preparation of the corporate governance manuals of our Company and has been responsible for the various board meetings and general meetings in preparation for the Listing. However, Ms. Shi may not fully possess the relevant experience as required by Rule 3.28 of the Hong Kong Listing Rules and given the important role of a company secretary in our corporate governance, our Company has made the following arrangements to enable Ms. Shi to discharge the functions as a joint company secretary of our Company:

(a) Ms. Shi will endeavor to attend further relevant training courses on the Hong Kong Listing Rules and the relevant Hong Kong laws and regulations, including briefing on the latest amendments to the applicable Hong Kong laws and regulations and the Hong Kong

Listing Rules organized by our Company's Hong Kong legal advisers on invitation basis and seminars organized by the Hong Kong Stock Exchange from time to time;

(b) Ms. Shi will take no less than 15 hours of relevant professional training in each financial year in accordance with the requirements of the Hong Kong Listing Rules;

(c) In addition, Ms. Shi will be assisted by (i) the compliance adviser of the Company for a period commencing on the Listing Date and ending on the date when the Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (ii) the Hong Kong legal advisers of our Company, on matters concerning our Company's on-going compliance with the Hong Kong Listing Rules and the applicable laws and regulations;

(d) We have engaged the services of Ms. Leung as the joint company secretary, to assist Ms. Shi in the discharge of her duties as the joint company secretary for an initial period of three years. Ms. Leung is a member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and therefore possesses the professional qualifications as required under Rule 3.28 of the Hong Kong Listing Rules to serve as a company secretary. As part of the proposed arrangement, Ms. Leung, will familiarize herself with the affairs of the Company and will communicate regularly with Ms. Shi on matters relating to corporate governance, the Hong Kong Listing Rules as well as the applicable laws and regulations and other affairs of the Company; and

(e) Ms. Shi, with the assistance of the compliance advisers, our Company's Hong Kong legal advisers and Ms. Leung, will facilitate induction and professional development of our Directors.

Our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 8.17 and 3.28 of the Hong Kong Listing Rules. Upon expiry of the initial three-year period, the Hong Kong Stock Exchange will re-evaluate the qualification and experience of Ms. Shi to determine whether the requirements as stipulated in Rule 8.17 of the Hong Kong Listing Rules can be satisfied. In the event that Ms. Shi has obtained relevant experience under Rule 3.28 of the Hong Kong Listing Rules at the end of the said period, the above assistant company secretaries arrangement should no longer be required by our Company.

WAIVER AND EXEMPTION IN RELATION TO THE POST TRACK RECORD PERIOD ACQUISITION

Pursuant to Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules, an issuer shall include in its accountants' report the results and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document, or since the incorporation of such subsidiary or the commencement of such business if this occurred less than three years prior to such issue.

Pursuant to the guidance letter HKEX-GL32-12 issued by the Hong Kong Stock Exchange, the Hong Kong Stock Exchange may consider granting waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances, the Hong Kong Stock Exchange will ordinarily grant a waiver of Rules 4.04(2) and 4.04(4) subject to the following conditions: (a) the percentage ratios (as defined under Rule 14.04(9)) of the acquired or to be acquired business or subsidiary are all less than 5% by reference to the most recent financial year of the applicant's trading record period; (b) the historical financial information of the acquired or to be acquired business or subsidiary is not available or would be unduly burdensome to obtain or prepare; and (c) the listing document should include at least the information that would be required for a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules on each acquisition.

Paragraph 32 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that, if the proceeds, or any part of the proceeds, of the issue of shares are applied in the purchase of any business, a separate accountants' report in relation to the business in respect of each of the three financial years immediately preceding the issue of the prospectus is required.

On July 1, 2019, the Company entered into an investment cooperation agreement with Cize Holding Limited ("**Cize**"), pursuant to which, among other things, the Company agreed to acquire 35% equity interest of Industrial Park Grójec sp. z o.o. (the "**Target Company**") from Cize provided that the Target Company will become the owner of a designated land parcel (the "**Post Track Record Period Acquisition**"). The Company proposes to use the proceeds from the Global Offering to pay the consideration. For details, please refer to the section headed "History and Development—Post Track Record Period Acquisition".

Based on the following reasons, our Company (i) has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules; and (ii) has applied to the SFC for, and the SFC has granted us, a certificate of exemption pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 32 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

(i) Immateriality of the Post Track Record Period Acquisition: Apart from the land to be acquired, the Target Company does not possess any substantial assets nor does it carry out any substantial business. The business scale of the Target Company and the financial impact of the Post Track Record Period Acquisition on the Group is minimal and immaterial. Each of the applicable percentage ratios is far below 5%;

(ii) Historical financial information of the Target Company is not available: The Target Company was established on June 17, 2019 and does not carry out any substantial business so far. While the Company's Track Record Period currently covers the three financial years ended December 31, 2018 and four months ended April 30, 2019, the Target Company as a company established after the Track Record Period does not have any financial information during such period. It is impractical and inappropriate for the Company to strictly comply with Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules. In addition, strict compliance with the requirements under paragraph 32 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be inappropriate given there is no financial information of the Target Company for the Track Record Period;

(iii) Alternative disclosure: To allow the potential investors to understand the Post Track Record Period Acquisition, the Company has made the following appropriate disclosure in this prospectus, which is comparable to the information required to be included in the announcement of a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules, including: (a) major terms (including the consideration to be paid) of the Post Track Record Period Acquisition; (b) general description of the scope of principal business activities of the Target Company and Cize; (c) the basis on which the consideration is determined; (d) how the consideration will be satisfied; and (e) reasons for and benefits of the transaction. For details, please refer to the section headed "History and Development—Post Track Record Period Acquisition". The Company believes that such disclosure provides the investors with sufficient disclosure on the information of the Post Track Record Period Acquisition. Furthermore, the Company will disclose the relevant financial information of the Group's investment and its minority interest in the Target Company in its annual report for the financial year ending December 31, 2019. Taking the above into account, the Company is of the view that the aforementioned alternative disclosure is sufficient for providing information necessary for the potential investors to make an informed assessment of the Post Track Record Period Acquisition and its financial impact on the Group; and

(iv) The Company has made disclosure in relation to the Post Track Record Period Acquisition in the section headed "History and Development—Post Track Record Period Acquisition". Accordingly, the Directors consider that the exemption from the requirement to include a separate accountant' report on the Target Company would not prejudice the interests of the investing public.

The SFC has granted a certificate of exemption from strict compliance with paragraph 32 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (a) the particulars of the exemption be set forth in this prospectus; and (b) this prospectus be issued on or before October 24, 2019.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading.

CSRC APPROVAL

The CSRC issued an approval letter on April 4, 2019 for the Global Offering and for the submission of the application to list our H Shares on the Hong Kong Stock Exchange. In granting its approval, the CSRC accepts no responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

As advised by our PRC Legal Advisers, our Company has obtained all necessary approvals and authorizations in the PRC in relation to the Global Offering and the Listing.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Global Offering comprises the Hong Kong Public Offering of initially 12,187,200 Hong Kong Offer Shares and the International Offering of initially 109,680,800 International Offer Shares, subject, in each case, to adjustment on the basis as described in the section headed "Structure of the Global Offering" and, in case of the International Offering, to any exercise of the Over-allotment Option.

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Details of the terms of the Hong Kong Public Offering are described in the section headed "Structure of the Global Offering" and on the Application Forms.

UNDERWRITING

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by China International Capital Corporation Hong Kong Securities Limited and China Securities (International) Corporate Finance Company Limited, collectively referred to as our Joint Sponsors. China International Capital Corporation Hong Kong Securities Limited and China Securities (International) Corporate Finance Company Limited are the Joint Global Coordinators, Joint Bookrunners and Joint

Lead Managers of the Global Offering. CMB International Capital Limited, ABCI Capital Limited and CCB International Capital Limited are the Joint Bookrunners of the Global Offering. CMB International Capital Limited, ABCI Securities Company Limited and CCB International Capital Limited are the Joint Lead Managers of the Global Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement and subject to agreement on the Offer Price between us and the Joint Global Coordinators (on behalf of the Underwriters).

The International Offering is expected to be underwritten by the International Underwriters pursuant to the International Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or about October 30, 2019.

For further information about the Underwriters and the underwriting arrangements, see the section headed "Underwriting."

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by our Company and the Joint Global Coordinators (on behalf of the Underwriters) on or around Wednesday, October 30, 2019, and in any event no later than Tuesday, November 5, 2019.

If the Joint Global Coordinators (on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Tuesday, November 5, 2019, or such later date or time as may be agreed between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

We offer the Hong Kong Offer Shares solely on the basis of the information contained and representations made in this prospectus and the related Application Forms and on the terms and subject to the conditions contained in this prospectus and the Application Forms.

Each person acquiring Hong Kong Offer Shares will be required to confirm, or by his/her acquisition of Hong Kong Offer Shares will be deemed to confirm, that he/she is aware of the restrictions on offers of the Hong Kong Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, and without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

CERTAIN MATTERS RELATING TO THE HONG KONG PUBLIC OFFERING

Application for Listing on the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares, including any H Shares which may be issued pursuant to the exercise of the Over-allotment Option. Dealings in our H Shares on the Hong Kong Stock Exchange are expected to commence on Wednesday, November 6, 2019.

Except as otherwise disclosed in this prospectus, no part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is currently being or proposed to be sought.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our H Shares on the Stock Exchange and our Company's compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Hong Kong Stock Exchange or any other date as HKSCC chooses. Settlement of transaction between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our H Shares to be admitted into CCASS.

Stamp Duty

Dealings in the H Shares registered in our register of members in Hong Kong will be subject to Hong Kong stamp duty.

Professional Tax Advice Recommended

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to the Offer Shares.

It is emphasized that none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, their respective directors, agents, employees and advisers, nor any other person involved in the Global Offering accepts any responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding or disposing of, dealing in or exercising any rights in relation to the Offer Shares.

Registration of Subscription, Purchase and Transfer of H Shares

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(a) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;

(b) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by the Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with the Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;

(c) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and

(d) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in the Articles of Association.

H Share Register of Members

Our principal register of members will be maintained by us at our legal address in the PRC and all of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong.

Procedure for Application for Hong Kong Offer Shares

The procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this prospectus.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and Stabilization are set out in "Structure of the Global Offering—Over-allotment Option" and "—Stabilization" in this prospectus.

EXCHANGE RATE

Unless otherwise specified, this prospectus contains certain translations for the convenience of the reader at the following rates: Renminbi into Hong Kong dollars at the rate of HK$1 to RMB0.90133 and Hong Kong dollars into U.S. dollars at the rate of US$1 to HK$7.8441. The RMB to HK$ exchange rate is quoted by the PBOC for foreign exchange transactions prevailing on October 15, 2019. The US$ to HK$ exchange rate is set forth in the H10 weekly statistical release of the Federal Reserve Board of the United States on October 15, 2019. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in RMB, HK$ or US$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

MARKET SHARE DATA

The statistical and market share information contained in this prospectus has been derived from official government publications, market data providers and other independent third parties sources. Unless otherwise indicated, the information has not been independently verified by our Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Underwriters, or any other parties involved in the Global Offering. This statistical information may not be consistent with other statistical information from other sources within or outside the PRC. Our Directors have reproduced the data and statistics extracted from such official government publications and other sources in a reasonably cautious manner.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translations or transliterations of the names of Chinese laws and regulations, governmental authorities, departments, entities, institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one or two decimal places. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Zhang Jian (張劍)	Room 501, Door 3, Block 19 Area 2 Wangyue Lake Yuelu District, Changsha Hunan PRC	Chinese
Tang Fen (唐芬)	Block 45, Longhu Xiangfeng Yuanzhu Estate Yinxing Road Wangcheng District, Changsha Hunan PRC	Chinese
Shi Donghong (石東紅)	Room 2601, Building 1 Yunda Central Plaza 289 Shawan Road Yuhua District, Changsha Hunan PRC	Chinese
Zhang Kexiang (張克祥)	Room 39, Door 4, Building 15 Yinpenling New Village Yuelu District, Changsha Hunan PRC	Chinese
Tan Xinming (譚新明)	Room 505, Building 4 Jiawenyuan, Xianjia New Village Yuelu District, Changsha Hunan PRC	Chinese
Non-executive Director		
Zhang Quanxun (張權勳)	Room 2006, Block A Jiabaorun Jinzuo Xinzhou Nine Street Futian District, Shenzhen Guangdong PRC	Chinese

Name	Residential Address	Nationality
Independent Non-executive Directors		
Chen Gongrong (陳共榮)	Room 302, Door 3, Building 3 15 Xianjia Lake Yuelu District, Changsha Hunan PRC	Chinese
Li Zhengnong (李正農)	B1708, Huagong Building Tianxin District, Changsha Hunan PRC	Chinese
Wong Kai Yan Thomas (王佳欣)	Flat F, 5th Floor, Block 10 South Horizons Ap Lei Chau Hong Kong	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Zhang Mingxin (張明鑫)	109 Xiangjiang Middle Road Pingtang Town, Wangcheng County Hunan PRC	Chinese
Li Gen (李根)	Room 804, Block 1-19 Jinlu Xi'an Heyuan District Yinshan Road Yuelu District, Changsha Hunan PRC	Chinese
Liu Jing (劉景)	Room 1205, Block 6 Lugu Xiaozhen Yuelu District, Changsha Hunan PRC	Chinese

For further information regarding our Directors and Supervisors, please refer to the section headed "Directors, Supervisors and Senior Management".

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	CMB International Capital Limited 45F, Champion Tower 3 Garden Road Central Hong Kong

	ABCI Capital Limited 11/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
Joint Lead Managers	**China International Capital Corporation Hong Kong Securities Limited** 29/F, One International Finance Centre 1 Harbour View Street Central Hong Kong
	China Securities (International) Corporate Finance Company Limited 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	CMB International Capital Limited 45F, Champion Tower 3 Garden Road Central Hong Kong
	ABCI Securities Company Limited 10/F, Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
Legal Advisers to the Company	*as to Hong Kong and United States laws:*
	Baker & McKenzie 14th Floor, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

	as to PRC law: **Jia Yuan Law Offices** F408, Ocean Plaza No. 158 Fu Xing Men Nei Avenue Xi Cheng District, Beijing PRC
Legal Advisers to the Joint Sponsors and the Underwriters	*as to Hong Kong and United States laws:* **Freshfields Bruckhaus Deringer** 55/F, One Island East Taikoo Place Quarry Bay Hong Kong *as to PRC law:* **Commerce & Finance Law Offices** 6/F NCI Tower A12 Jianguomenwai Avenue Chaoyang District, Beijing PRC
Reporting Accountants and Auditors	**KPMG** *Certified Public Accountants* 8th Floor, Prince's Building 10 Chater Road Central Hong Kong
Compliance Adviser	**Anglo Chinese Corporate Finance, Limited** 40th Floor, Two Exchange Square 8 Connaught Place Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai PRC
Property Valuer	**AVISTA Valuation Advisory Limited** 23rd Floor, Siu On Centre No. 188 Lockhart Road Wan Chai Hong Kong

Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **CMB Wing Lung Bank Limited** CMB Wing Lung Building 45 Des Voeux Road Central Hong Kong

Registered Office	Intersection of Lusong Road and Dongfanghong Road Changsha High-tech Development Zone, Changsha Hunan PRC
Headquarters and Principal Place of Business in the PRC	No. 248 Yinshuang Road Yuelu District, Changsha Hunan PRC
Principal Place of Business in Hong Kong	31/F, Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Company Website	www.bhome.com.cn *(This website and the information contained on this website do not form part of this prospectus)*
Joint Company Secretaries	Ms. Shi Donghong Room 2601, Building 1 Yunda Central Plaza 289 Shawan Road Yuhua District, Changsha Hunan PRC Ms. Leung Suet Wing *(a member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom)* 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
Authorized Representatives	Ms. Shi Donghong Room 2601, Building 1 Yunda Central Plaza 289 Shawan Road Yuhua District, Changsha Hunan PRC Ms. Leung Suet Wing 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong

Strategy Committee	Mr. Zhang Jian *(Chairman)* Ms. Tang Fen Ms. Shi Donghong
Audit Committee	Mr. Chen Gongrong *(Chairman)* Mr. Li Zhengnong Mr. Wong Kai Yan Thomas
Nomination Committee	Mr. Zhang Jian *(Chairman)* Mr. Chen Gongrong Mr. Li Zhengnong
Remuneration and Appraisal Committee	Mr. Li Zhengnong *(Chairman)* Mr. Zhang Jian Mr. Chen Gongrong
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bankers	**Bank of Changsha, Main Branch** Kailin Business Center Tower B, 53 Binjiang Road Yuelu District, Changsha Hunan PRC
	Bank of China Limited, Hunan Branch 593 Furong Middle Road Phase I Kaifu District, Changsha Hunan PRC
	Shanghai Pudong Development Bank, Changsha Branch 102 Chazishan Road Yuelu District, Changsha Hunan PRC
	Bank of Communications Co., Ltd., Hunan Branch 37 Shaoshan Middle Road Yuhua District, Changsha Hunan PRC

China Construction Bank Corporation, Hunan Branch
85 Furong Middle Road Phase II
Furong District, Changsha
Hunan
PRC

Certain information and statistics presented in this section and elsewhere in this prospectus have been derived from an industry report, commissioned by us and independently prepared by Frost & Sullivan for the purpose of the Global Offering, or the Frost & Sullivan Report. In addition, unless otherwise indicated, certain information is based on, derived or extracted from, among other sources, publications of government authorities and their internal agencies, market data providers, and communication with various Chinese government agencies or other independent third-party sources. We believe that the sources of the relevant information and statistics are appropriate and that reasonable and prudent measures have been taken in extracting and reproducing such information. We have no reason to believe that the relevant information and statistics are false or misleading or that any facts have been omitted to an extent that would render such information and statistics false or misleading. Our Directors confirmed that, after making reasonable enquiries and exercising reasonable care, there is no material adverse change in the relevant market information since the date of the Frost & Sullivan Report which may qualify, deny or adversely affect the information contained in this section. The Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, or any other party involved in the Global Offering (excluding Frost & Sullivan) or their respective directors, consultants and associates have not independently verified the relevant information and statistics or made any representation on the accuracy thereof. Accordingly, such information and statistics should not be unduly relied upon.

SOURCE OF INFORMATION

We have commissioned Frost & Sullivan to analyze and present the current status and forecasts of selected industries in which we operate in China. We agree to pay the fee of RMB1,239,800 to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report, and the Directors believe that such fee reflects the market rate. Unless otherwise indicated, the market estimates or predictions contained in this section refer to Frost & Sullivan's comments on the future development of selected industries in China.

Founded in 1961, Frost & Sullivan has conducted industry research and provided market and corporate strategy, and consulting and training services in a variety of industries, including automotive, transportation and logistics, chemical engineering, energy and power systems, environmental technology, electronics, information and telecommunications technology, and medical and health care. In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has used the statistics and information obtained through the primary and secondary research. Primary research includes interviews with industry experts and recognized third-party industry associations, and secondary research includes the review of annual reports of the Company, databases of relevant official authorities, independent research reports and publications, as well as the exclusive database established by Frost & Sullivan over the past few decades.

The predictions made by Frost & Sullivan are based on the following assumptions: (i) global and Chinese social, economic and political conditions will remain stable during the forecast period; (ii) the PRC government's policies on the industrialized construction industry will remain unchanged during the forecast period; (iii) the PC unit market in China will be driven by vigorous promotion from government policies, continuation of urbanization, growing popularity of industrialized construction due to labor cost increase and increasing economical feasibility with technological advancement; and (iv) the PC equipment market in China will be driven by the increasing market demand on PC units, the promotion from governmental policies, the emergence of more PC factories nationwide, and the upgrade of existing PC production lines.

OVERVIEW ON CONSTRUCTION AND REAL ESTATE INDUSTRY IN CHINA

Between 2013 and 2018, the aggregate output value of China's construction industry increased from RMB16.0 trillion to RMB23.5 trillion at a CAGR of 8.0%. In the next five years from 2019, the aggregate output value of China's construction industry is expected to maintain a CAGR of 7.0%, and will achieve RMB33.0 trillion in 2023. The output value of the real estate construction industry accounted for approximately 64.3% of the aggregate output value of the construction industry in China from 2013 to 2018. In 2018, the output value of the real estate construction industry was RMB15.1 trillion, which is expected to achieve RMB21.2 trillion in 2023. As one of the major contributors to national economic development and rural workforce employment, China's construction industry is closely associated with China's GDP growth. In the 13th Five-Year Plan, the PRC government aims to achieve a 7% annual growth rate of the total output value of the construction industry in the PRC, demonstrating the PRC government's determination to maintain the stable development of the construction industry. In addition, with the landing and implementation of the Belt and Road Initiative and the overall industrialization trend, the growth of China's construction industry is expected to sustain in the next five years.

Influenced by China's continued urbanization process and relevant population policies, such as promotion of the second-child policy, the market demand in the real estate industry in China, especially the demand for residential building, remains strong. It is expected that in 2023, the real estate investment will achieve RMB17.8 trillion, and the residential real estate investment will achieve RMB12.2 trillion.

Construction Industry Output Value and Real Estate Investment in China, 2013-2023E

	2013	2014	2015	2016	2017	2018	2019E	2023E	CAGR (13-18)	CAGR (19E-23E)
	(RMB trillion)									
Total output value of the construction industry	16.0	17.7	18.1	19.4	21.4	23.5	25.2	33.0	8.0%	7.0%
Total output value of the real estate construction industry	10.3	11.4	11.6	12.4	13.7	15.1	16.1	21.2	8.0%	7.1%
Real estate investment	8.6	9.5	9.6	10.3	11.0	12.0	13.0	17.8	6.9%	8.3%

Source: National Bureau of Statistics, Frost & Sullivan

MARKET ANALYSIS OF CONSTRUCTION INDUSTRIALIZATION IN CHINA

Overview of Construction Industrialization in China

Construction industrialization is a process of developing and improving the construction industry through mechanization, standardization, informatization and intelligentization. Construction industrialization aims to increase labor productivity, replace manpower with machinery, speed up construction, reduce engineering costs, and improve engineering quality. Construction industrialization is the main direction of the construction technology development. The process extensively uses large-size precast units, adopts prefabricated structures and involves database information systems to manage the entire construction process to form a complete industrial process in which the production process is mechanized and the units are assembled in construction.

Construction industrialization 4.0 is a reform of the construction industry focusing on intelligentization by way of mechanization, standardization, informatization, and further integrating digital space and physical space. As such construction industrialization 4.0 transforms the construction industry into an intelligentized manufacturing industry.

Development of Industrialized Construction in China

	Traditional construction	Industrialized Construction 1.0	Industrialized Construction 2.0	Industrialized Construction 3.0	Industrialized Construction 4.0
Feature	On-Site construction	Mechanization	Standardization	Informatization	Intelligentization
Performance	Cast-on-site	Industrialized production	Production line manufacturing	Building information modelling (BIM)	Intelligent manufacturing and equipment

Source: Frost & Sullivan

Definition and Categorization of Prefabricated Building

Prefabricated building is a type of building consisting of factory-built components or units to be assembled on-site. Prefabricated building is a comprehensive demonstration of construction industrialization and it can be divided into three major categories including prefabricated concrete building, prefabricated steel structure building and prefabricated timber building based on the types of the main structural component of the building. Prefabricated concrete building is the major mode of prefabricated building in China. It has advantages such as low cost and wide applicability. Prefabricated concrete building is expected to maintain the leading position in the form selection of prefabricated construction structure. In terms of floor area, prefabricated concrete building accounted for 62.5% of all prefabricated building in 2018 and is expected to account for 75% of all prefabricated building in 2023.

Classification of Prefabricated Building in China

	Prefabricated Concrete Building	Prefabricated Steel Building	Prefabricated Timber Building
Advantages	• Low construction and maintenance costs • Popularity for residential buildings with extensive applicability • High fire resistance	• High-earthquake resistance • Light weight and small size of units • Easy to transport	• Light weight of units
Disadvantages	• Heavy weight and large size of units • High demand for storage and transportation capability	• Low fire resistance	• Low stability of units • Low fire resistance
Application	• Low-rise, multi-story and high-rise residential buildings, less demanding on spans • Representative buildings: Low-rise, multi-rise and high-rise residential buildings, office towers, school and hospital buildings	• Longer-span or high-rise, super high-rise buildings • Representative buildings: long-span factories, gymnasium, super high-rise office buildings	• Representative buildings: Single-family residential, special buildings such as antique buildings

Source: Frost & Sullivan

Comparison of PC Prefabricated Construction Method and Cast-on-site Construction Method

Compared with construction of traditional buildings which mainly employs cast-on-site method, the construction of prefabricated concrete building involves the assembling of a large portion of prefabricated units and has several advantages, such as shortening the construction period, reducing employment of manpower, curtailing waste of materials, lowering energy consumption and decreasing environmental pollution. With the extensive application of intelligentized PC prefabricated construction solutions, the advantages of prefabricated concrete building in respect of environment protection, construction period and construction costs will be further highlighted.

Comparison of PC Prefabricated Construction Method and Cast-on-site Construction Method in China

	PC prefabricated construction	Cast-on-site construction	Savings and improvements
Construction period	160~210 days	250~300 days	20~45%
On-site construction workers required	40~50 workers	150~160 workers	60~75%
Water consumption	0.051~0.067 m³ / m²	0.085~0.09 m³ /m²	35~40%
Energy consumption	7.0~7.1 kwh /m²	8.9~9.0 kwh /m²	20~25%
Construction wastes Disposal	7.34~7.35 kg / m²	23.75~23.80 kg /m²	65~70%
Dust level (PM 10)	60~75 μg/ m³	85~100 μg/ m³	20~30%

Note: Taking a 30-floor prefabricated concrete residential building project with a prefabricated ratio of approximately 35% as compared with a traditional construction project of the same scale as an example.
Source: Frost & Sullivan

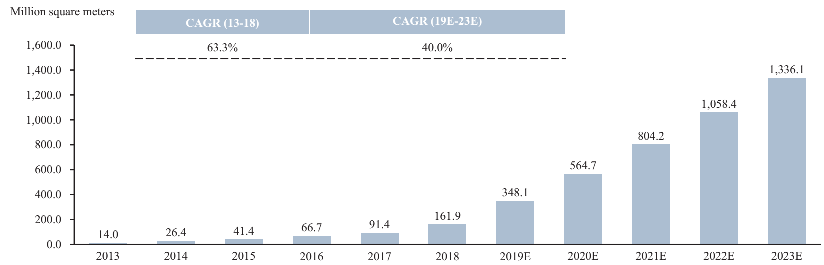
ANALYSIS OF THE PREFABRICATED CONCRETE BUILDING MARKET IN CHINA

New Floor Area of Prefabricated Building

As the focus of the construction industrialization development, prefabricated building embraces an opportunity of explosive growth in China. Guided by the development plan and incentive policies introduced by the central government, a large number of provinces and cities have started to experience an explosive growth of prefabricated buildings.

As the relevant policies and industry standards of prefabricated buildings are still evolving in China, the standard for the identification of prefabricated buildings varies in various regions. Therefore, there is no uniform requirement for the minimum prefabricated ratio of prefabricated concrete building nationwide. Since 2018, with rapid development of prefabricated concrete buildings, more and more provincial governments published their own standards or key indicators regarding the minimum prefabricated ratio in the assessment of prefabricated building. With reference to these standards and market research, Frost & Sullivan has estimated and considered the minimum prefabricated ratios for different regions into our market sizing model, with a national weighted average of 20.9% in terms of new floor areas of prefabricated concrete building in 2018 and these minimum prefabricated ratios remain the same in the forecast period.

New Floor Areas of Prefabricated Concrete Building in China, 2013-2023E



Note: the forecast new floor areas of prefabricated concrete building contain the entire floor areas of such buildings and have not excluded the non-prefabricated portion of such buildings
Source: Frost & Sullivan

Penetration Rate of Prefabricated Building

In terms of new floor areas, the penetration rate[1] of prefabricated building including prefabricated villas increased from 0.5% in 2013 to 4.6% in 2018 and is expected to reach 23.6% in 2023. Pursuant to the Certain Opinions, the penetration rate of prefabricated building will reach 30% in around 2025. The penetration rate of prefabricated concrete building in China in 2017 was relatively low as compared to that of developed countries and regions such as Germany, Japan and Northern European regions, indicating immense development potential in China. After MOHURD had introduced the development goal of increasing the new floor areas of prefabricated building to more than 15% of the total new floor areas in China by 2020 in the 13th Five-Year Plan as released in March 2017, many provincial and municipal governments had promulgated specific development plans for prefabricated building. As such, it is expected that the penetration rate of prefabricated building in China will increase significantly in the coming years due to the promotion of government plans, the massive market demand and the increasing standardization of the prefabricated construction industry.

New floor areas of prefabricated concrete building contain the overall areas of such buildings and have not excluded the non-prefabricated portion of buildings. Only prefabricated portions of such building are potential markets for PC units manufacturing.

Development of Regional Prefabricated Building

Hunan Province and Eastern China Region are among the key provinces and regions in terms of the development of prefabricated building in China. According to the Frost & Sullivan Report, in 2018, the new floor areas of prefabricated building in Hunan Province and Eastern China Region were 15.9 million square meters and 150.6 million square meters, respectively, with a year-on-year increase of 120.2% and 70.8%. In particular, the new floor areas of prefabricated concrete building in Hunan Province and Eastern China Region were 11.1 million square meters and 94.5 million square meters, respectively, in 2018. In the future, with supportive government policies and rapid release of market demand, the prefabricated building in Hunan Province and Eastern China Region is expected to maintain strong growth. By 2023, the new floor areas of prefabricated concrete building in Hunan Province is expected to reach 95.8 million square meters, representing a CAGR of 53.8% from 2018 to 2023, and the new floor areas of prefabricated concrete building in Eastern China Region are expected to reach 862.0 million square meters, representing a CAGR of 55.6% from 2018 to 2023. The CAGR of the new floor areas of prefabricated concrete building in Hunan Province and Eastern China Region exceeds the average in China during the same period.

1 *The proportion of prefabricated construction project among all construction projects in terms of overall floor area.*

In addition to Hunan province and Eastern China region, the market demands in such regions in which the Group's Joint Factories are capable of commercial production are estimated and set out in the following table:

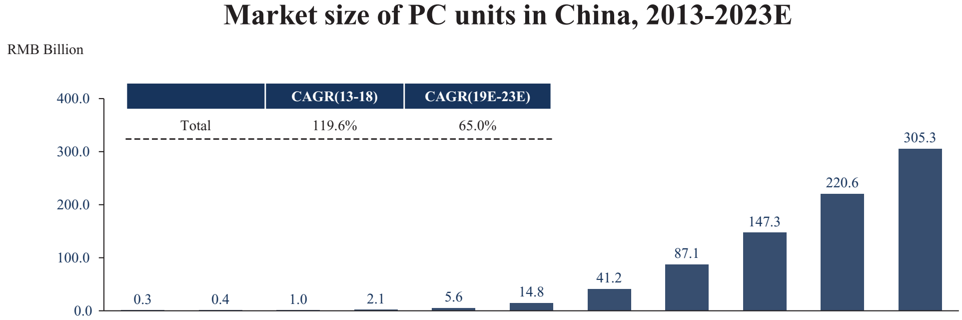
Region	Provinces Included	New Floor Areas of Prefabricated Concrete Building, 2018 (million square meters)	New Floor Areas of Prefabricated Concrete Building, 2023E (million square meters)	CAGR (2018-2023E)
Beijing-Tianjin-Hebei	Beijing, Tianjin, Hebei	13.9	119.8	53.8%
Southern China	Guangdong, Guangxi	9.1	67.1	49.1%
Southwest China	Chongqing, Sichuan	17.6	88.4	38.1%
Northwest China	Xinjiang, Ningxia, Shaanxi	2.0	22.3	62.5%
Northern China	Henan, Shanxi, Inner Mongolia	5.1	63.8	65.5%

Market Size of PC Units

Prefabricated concrete building is the development focus of industrialized construction and prefabricated building in China. With the rapid development of prefabricated concrete building and significant increase of prefabricated ratio (the ratio of the volume, quantity or floor area of prefabricated units or building parts to the total volume, quantity or floor area of similar units or parts), the sales of PC units have increased significantly in recent years, especially in 2016 and 2017. As the national evaluation criteria of prefabricated building was enforced earlier in 2018, the penetration rate of the prefabricated construction and prefabricated ratio will significantly increase. Driven by the increasing penetration of prefabricated concrete building and rising prefabricated ratio, the market of PC units in China is expected to grow rapidly to a high level.

Due to the lack of minimum prefabricated ratio requirements for prefabricated concrete building, the prefabricated ratio is low at the beginning of the development of prefabricated buildings in China. With the introduction of relevant policies and the increasing maturity of the market in recent years, the prefabricated ratio of prefabricated concrete buildings increased significantly. According to Frost & Sullivan, the overall prefabricated ratio of China's prefabricated concrete buildings increased from 3.3% in 2013 to 28.0% in 2018, and is expected to grow to around 38.0% by 2023.

Market size of PC units in China, 2013-2023E



Note: The market size of PC units is determined by prefabricated ratio, new floor area of prefabricated building, volume of concrete per square meter and unit price.
Source: Frost & Sullivan

As advised by Frost & Sullivan, considering the major cities which the Joint Factories target, the total output value of the construction industry in the cities with GDP no less than RMB500 billion (Region 1) in 2018 is expected to grow at a CAGR of 7.9% from 2019 to 2023, which is higher than the CAGR of 7.0% for the growth of whole construction industry in China. The total output value of the construction industry in the cities with GDP below RMB500 billion (Region 2) in 2018 is expected to grow at a CAGR of 6.9% during from 2019 to 2023. Additionally, according to the relevant policies of developing prefabricated building markets, the penetration rates of prefabricated buildings by 2020 in the cities in Region 1 are targeted to reach 30% or above. By contrast, the targeted penetration rates of prefabricated buildings in the cities in Region 2 are mostly between 15% and 30%, and some of the relevant policies for some of these cities have not yet been released. Therefore, it is estimated that the average market demand of PC units per city in Region 1 is much higher than that in Region 2.

Analysis of Drivers of Construction Industrialization Market in China

Continuous urbanization: Along with the steady growth of China's economy and the continuous escalation of urbanization, the urbanization rate is expected to increase from 59.6% in 2018 to 64.9% in 2023. As a result, the construction demand, particularly for residential construction, will maintain continuous growth.

Labor shortage and cost increase in construction industry: Labor shortages and the rising labor costs have become increasingly severe challenges in the construction industry. The number of workers willing to work in the traditional construction industry is decreasing. In addition, aging of labor force has become an increasing problem for the construction industry. The average age of migrant workers in the construction industry rose from 34 in 2008 to over 40 in 2018, and the average wage increased about 1.8 times for the same period. Faced with labor shortages and the increase in labor costs, construction companies need to reduce their reliance on labor and increase labor efficiency. Construction industrialization is a crucial way for the construction industry to reduce reliance on labor and improve efficiency.

Increasing energy conservation and environmental protection requirements in the construction industry: Enhanced environmental protection and energy conservation as well as transformation of the development mode in the construction industry are important directions for the future development of the construction industry in China. Prefabricated construction adopts factory prefabrication, on-site dry assembly and BIM integrated management and other methods, which significantly shorten the construction period, reduce energy consumption, save resources, and reduce environmental pollution such as dust, noise and construction waste. The energy saving and environmental protection effects are notable. The development of green construction and the requirement for enhancing energy conservation and environmental protection in the construction industry will drive the popularization of prefabricated construction.

Strong support from government policies: In recent years, the central and local government authorities have intensively introduced incentive policies to promote the development of construction industrialization and prefabricated building. These policies have clearly defined industry standards and set development goals and related subsidy incentives. As such around 31 provinces and municipalities directly under the central government have issued regional development goals as of December 31, 2018. In particular, the Shanghai Municipal Government promulgated that from 2016, all new residential building satisfying certain criteria within the outer ring were to adopt prefabricated construction, and over 50% of the new residential building outside the outer ring were to adopt prefabricated construction. The Hunan Provincial Government has proposed that by 2020, the prefabricated buildings in the major cities of Hunan Province will account for more than 30% of the new buildings, while such percentage for the downtown areas of Changsha, Zhuzhou and Xiangtan will reach over 50%.

Market Development Trend in Industrialization for Construction Industry in China

Industry upgrade driven by technology reformation: The development of information technology, internet and automated techniques in construction industrialization increase the possibility of achieving integrated management of construction projects including planning, budgeting, designing, manufacturing, assembling and inspecting. With further development of the industrialized construction industrialization, the entire construction process is under restructuring. Having developed PC Maker I and PC-CPS, the Group is the first to establish a digitalized information system covering the whole process from design to delivery in the prefabricated construction industry in China.

Increasing industry centralization: Considering the limitation in transportation radius, the development of the prefabricated building has presented certain degree of regionality, with numerous companies trying to dominate respective regional markets, resulting in a low market centralization. In the future, nationwide expansion of construction industrialization is expected to adopt the multi-centered layout, considering the enhanced cost saving and efficiency requirements of prefabricated building and the limitation in transportation radius. Companies with well positioned nationwide layout, extensive project experience and comprehensive technical systems will possess great competitive strengths. As such, the market centralization is expected to increase.

Increasing penetration of construction industrialization: Driven by supportive government policies, the penetration of construction industrialization in residential building increases rapidly. In addition, with the technological advancements, improvement of management level and establishment of universal system, the application of construction industrialization in the fields of industrial buildings, public buildings and infrastructures, is expected to improve as well. Moreover, as more large-scale real estate developers recognize and apply prefabricated construction in the fields of residential, infrastructural and public construction, the prefabricated construction industry changed from government dominated to market driven. As such, the marketization for the demand in the prefabricated construction industry is expected to grow continuously.

Continuous improvement in cost-effectiveness: Currently the cost-effective advantage of prefabricated construction is not significant as compared to that of traditional construction, which limits the promotion of construction industrialization to some extent. On the one hand, as some companies in the prefabricated construction industry gradually achieve economies of scale, the industry synergies gradually emerge, and the cost-effectiveness of construction industrialization is expected to improve accordingly. On the other hand, with the increase in labor costs, the cost-effectiveness of traditional construction is declining. As such, the cost-effective advantage of prefabricated construction as compared to traditional construction is expected to gradually increase in the future.

Continuous improvement of industry standards and norms: Well-established industry standards and norms are essential for the development of industrialized construction. With sufficient industry standards and norms, enterprises can select and develop their technologies efficiently and incentive policies can be executed effectively. Government authorities in the PRC have introduced national evaluation standards and technical specifications for prefabricated building. The industrialized construction industry is at the stage of rapid growth; market leaders with contribution to the establishment of industry standards will accumulate initiative advantages and benefit from a healthier regulatory environment.

Prices of Raw Materials for PC Units

The major raw materials for PC units are rebar, cement and gravel. As raw material prices fluctuate, the price of PC units fluctuate accordingly. Despite the price fluctuation of raw materials, PC unit manufacturers are generally able to shift the price fluctuation influence towards downstream industry participants. The price of rebar rebounded after 2015, and the prices of cement and gravel rebounded after 2016. It is expected that the prices of rebar, cement and gravel will increase slightly in the future.

Annual average price of major raw materials, China, 2013-2018

	Unit	2013	2014	2015	2016	2017	2018
Rebar	RMB/ton	3,559.1	3,123.0	2,218.1	2,476.0	3,877.9	4,184.8
Cement	RMB/ton	332.8	332.2	263.6	262.1	349.8	433.7
Gravel	RMB/ton	84.0	83.8	64.5	58.8	96.9	135.7

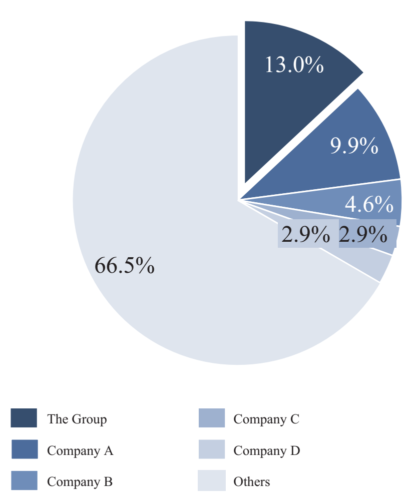
Source: Frost & Sullivan

Market Share of Major Participants in PC Unit Manufacturing Market

In 2018, the Group was the largest participant in the PC unit manufacturing market in China in terms of revenue, with a market share of 13.0%. Other major participants included Shanghai Construction Group* (上海建工集團), China State Construction Limited* (中國建築股份有限公司), Beijing Residential Industrialization Group* (北京住宅產業化集團), and China Minsheng Drawin Technology Industry Group* (中民築友科技產業集團). The PC unit manufacturing market is relatively fragmented, with the market shares of the top five participants in 2018 being 33.5%.

Market share of major participants in PC unit manufacturing market (by revenue) in China in 2018

Total revenue = RMB14,793.7 million



Ranking	Company Name	Revenue (RMB million)	Market share
1	The Group	1,921.7	13.0%
2	Company A	1,457.8	9.9%
3	Company B	678.4	4.6%
4	Company C	460.0	2.9%
5	Company D	435.6	2.9%
	Others	9,840.1	66.5%
	Total market size	14,793.7	100.0%

Note: Sales include revenue from PC units of the Group's head office, directly-operated companies and joint ventures.
Source: Frost & Sullivan

Entry Barriers and Success Factors of PC Unit Manufacturing Market

Management capability: Only with good management capabilities in operation and manufacturing can manufacturers of PC units exert effective management and control over the output, product yield, production cost, production efficiency, production equipment testing and inventory management. Prefabricated construction involves large-scale continuous manufacturing of non-standard products, for which prefabricated construction companies must be equipped with good system management capabilities in production and manufacturing. Therefore, good management skills are essential for prefabricated construction companies to improve profit and competitiveness, as well as to expand production scales. However, it often requires significant amount of time and efforts for new industry participants to improve management skills and accumulate management experience.

Digitalization capability: With the increasingly wide application of digitalization technology in PC unit manufacturing industry, digitized information processing and analytical technology can optimize various stages of PC unit manufacturing including design, production, transportation and prefabrication, and thus enhance production efficiency, lower depletion and better satisfy customers' demand on construction progress and cost. Along with the expansion of production scale, PC unit manufacturing factories are expected to generates massive data, which is difficult to control manually. Companies equipped with digital technology, data resources and data analysis capabilities are in an advantageous position as digital technology, data processing and analytics technology can optimize product design and production.

Research and development capability: Driven by the development of society and economy, the requirements for construction also escalate. Only enterprises with sustainable innovation and research and development capabilities can meet the ever-changing requirements of product materials, structural technology, production technique, construction and installation, and improve the production efficiency to cater for the industry development need. In addition, the supply of PC units for different projects and customers in accordance with the project construction progress in one factory has imposed great challenges to the mass production of PC units. Information systems are essential for market participants to exercise management. However, the establishment of such systems relies on experience and data accumulated from manufacturing of PC units in the long run.

Capital: In general, the establishment of a manufacturing and processing factory for PC units in China requires an investment scale of over RMB100 to RMB300 million, and it usually takes one to three years to complete a production capacity expansion plan. In addition, due to high transportation cost for PC units and the constraint of transportation radius, the establishment of national wide scale coverage requires billions of investments. Therefore, new participants in the PC unit manufacturing industry are required to invest a significant amount of initial capital to enter the market, and high time cost in increasing output and obtaining orders usually results in heavy financial pressure.

Talent: As an emerging market in recent years, PC unit manufacturing suffers the problem of talent shortage, especially the lack of experienced professionals. An excellent talent team is essential to improving research and development capabilities and operational efficiency. However, it is very difficult for new participants in the PC unit manufacturing industry to recruit qualified talent in a short period of time.

MARKET ANALYSIS OF PC EQUIPMENT IN CHINA

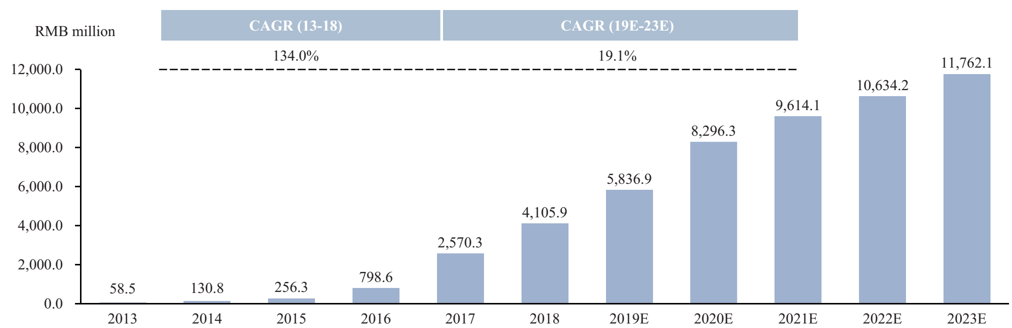
Definition and Business Model of PC Equipment

The market of PC equipment mainly consists of two types of market participants, namely PC equipment manufacturers and PC manufacturing solutions providers. PC manufacturing solutions providers also provide a variety of value-added services (including the operation and maintenance of equipment, installation of control and management software, update and upgrade of system and technical support for production) based on the sale of PC equipment so as to optimize the utilization efficiency of PC equipment.

Market Size of PC Equipment

The development of the PC unit market drives the rapid development of the PC equipment industry. With the increase in production capacity of PC equipment, it is expected that the market size of PC equipment manufacturing and solutions will constantly grow to over RMB11 billion in 2023.

Market size of PC equipment manufacturing in China, 2013-2023E



Source: Frost & Sullivan

Drivers for Market of PC Equipment in China

Increasing market demand for prefabricated concrete building: The market demand for PC units increased significantly as a result of the positive impact of the favorable environment and regulatory policies created by the central government and increasing application of prefabricated concrete building in the new floor areas. Driven by various factors in the prefabricated concrete building industry, the PC equipment is expected to develop rapidly, which will benefit the upstream manufacturers of PC equipment.

Expansion of unit plants: Considering the limitations of PC unit manufacturing factories in transportation and service radius, manufacturers of PC units are required to establish new factories nationwide to serve the national market. With constant expansion in regional coverage of prefabricated concrete building, the market demand for PC equipment is expected to increase continuously.

Intergenerational upgrade of production equipment: The prefabricated concrete building industry of China is still at the development stage and is in need of mature processing technologies and advanced production technologies required in the production and manufacturing process of PC units. Under the favorable situation of macro environment, the entire prefabricated concrete building industry is expected to experience explosive increase nationwide, of which PC equipment and equipment manufacturers are expected to undergo an intergenerational upgrade in terms of production efficiency, product quality and customized production.

Market Development Trend of PC Equipment in China

Intelligent manufacturing: More advanced technologies such as big data, cloud computing, and the industrial IoT will be incorporated in the future to better realize the concept of industrial informationization and intelligent manufacturing, so as to fully optimize the objectives and improve production efficiency in PC units production.

Integrated service solutions: To better serve the downstream market, the PC equipment and equipment manufacturing industry are transiting from traditional sales of machinery alone to the provision of integrated service solutions. Appreciating the importance of intelligent manufacturing in capacity expansion of PC equipment, PC equipment providers are actively providing the market with services related to PC equipment. Equipment providers who can provide integrated comprehensive services online and offline, with a combination of software and hardware, are expected to possess stronger market competitiveness.

Raw Material Prices of PC Equipment

For PC unit production lines manufacturers, since PC equipment is assembled after being procured from machinery production factories, the changes of manufacturing cost of PC unit production lines are influenced by the changes of sales price of upstream machinery, which in turn is affected by fluctuations in the cost of major raw materials such as steel.

Annual average price index of steel, China, 2013-2018

	2013	2014	2015	2016	2017	2018
Steel	102.9	92.0	66.8	75.1	107.6	114.8

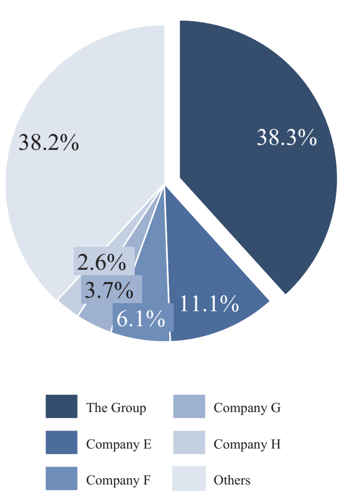
Note: Global CRU steel price index (CRUspi), April 1994=100.
Source: China Iron and Steel Association, Frost & Sullivan

Market Share of Major Companies in the Market of PC Equipment

In 2018, the Group was the largest participant in the market of PC equipment in China in terms of revenue, with a market share of 38.3%. Other major participants included Sany Group, Hebei Xindadi, Germany Ebawe, and Shandong Tianyi Machinery. The PC equipment market is relatively concentrated, with the market share of the top five market participants in 2018 being 61.8%.

Market shares of major participants in the PC equipment market in terms of revenue in China, 2018

Total revenue = RMB4,105.9 million



Ranking	Company Name	Revenue (RMB million)	Market share
1	The Group	1,572.3	38.3%
2	Company E	455.0	11.1%
3	Company F	250.0	6.1%
4	Company G	150.3	3.7%
5	Company H	107.8	2.6%
	Others	1,570.4	38.2%
	Total market size	4,105.9	100.0%

Note: Revenue from sales of the Group to its associates is calculated based on the total amount of equipment.
Source: Frost & Sullivan

Worldwide, in terms of relevant revenue from PC unit manufacturing and PC equipment manufacturing in 2018, the three largest prefabricated construction service providers which engage in both PC unit manufacturing and PC equipment manufacturing business, are the Group (RMB3.5 billion), Company A (RMB 2.0 billion) and Company I (RMB1.1 billion).

Entry Barriers and Elements of Success for the Market of PC Equipment

Technology: The production process of PC units includes purchasing materials, molding, reinforcement, pouring, compaction, insulation, maintenance and demoulding of finished products. As integration of various systems and equipment is required to achieve synergy, manufacturers of PC equipment must master relevant technologies of central control system, which is the core of the entire equipment. Technology directly determines the reliability, production efficiency and production yield of the production equipment. However it is difficult for new industry participants to develop good technological and technical capabilities in a short period of time.

Experience: In general, when PC unit manufacturers (especially state-owned manufacturers) initiate a bidding on the production equipment, respective manufacturers' historical sales records of PC equipment and the performance of PC equipment will be key factors when determining winner of the bid. Therefore, it will be more difficult for new participants in the industry to win the bids as compared to existing participants in the industry due to the lack of experience of new participants in the industry.

Brand and customer relationship: Leading brands of PC equipment have established their own customer networks and sales channels in the PC unit market. Moreover, major PC unit manufacturers in the market tend to purchase production equipment repetitively from manufacturers of PC equipment with past cooperative relationships. It is often difficult for new players to conduct business in the market due to the lack of recognized brand reputation and stable customer relationships.

Seasonality Analysis of PC Units and PC Equipment Markets

The PC units and PC equipment markets are affected by seasonality. Workforce shortage generally occurs during the Chinese New Year's holiday, and cold weather negatively impacts the construction activity. Consequently, the new floor area of construction projects in the first quarter is generally at the lowest level in the entire year, which results in lower market demand of PC units. PC equipment market may also experience longer lead time and delay in installation and commissioning due to the Chinese New Year's holiday and cold weather. Therefore, it is an industry norm that the quarterly revenue of PC unit manufacturing and PC equipment manufacturing business is at a relatively lower level during such parts of the year.

OVERVIEW OF OVERSEAS CONSTRUCTION MARKETS

Construction industrialization has a longer development history in developed regions such as Europe and the United States, where sound industry standards and norms have been gradually established with a high degree of development of construction industrialization.

Among the European countries, the prefabricated concrete building market in Germany and Northern European countries such as Sweden, Norway and Denmark are relatively mature, which is attributable to the support from energy efficiency policies of local governments and the rapid development of local construction industrialization technology. In 2018, the total sales value of prefabricated villas in Germany and Northern Europe (including Sweden, Norway and Denmark) were around EUR4.8 billion and EUR3.4 billion, respectively, and the CAGRs from 2013 to 2018 were 5.3% and 6.5% for Germany and Northern Europe, respectively. The constant increase of construction demand and the developed prefabricated construction markets in Germany and the North Europe countries create opportunities for constructors in Poland which is adjusted thereto. At the same time, due to manpower shortages and rising prices of construction materials in recent years, Poland began to focus on the development of local prefabricated concrete buildings and gradually transition from simple and temporary prefabricated buildings to prefabricated hotels, houses, and public facilities. In Asia, the prefabricated building market in Singapore is relatively developed. In 2018, the prefabricated residential buildings accounted for more than 70% of the total new residential buildings.

Overview

Our history can be traced back to April 30, 2006. We were established as a limited liability company by Chairman Zhang in Changsha, Hunan Province, the PRC. On December 10, 2015, our Company was converted into a joint stock limited company, and the company name was changed from "Changsha Broad Homes Industrial Group Limited (長沙遠大住宅工業集團有限公司)" to "Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司)".

Chairman Zhang, our founder, has over 20 years of experience in the field of construction industrialization.

Milestones

The milestone events in our development history since our establishment in 2006 are summarized as follows:

Year	Events
2007	We were named as National Housing Industrialization Bases (國家住宅產業化基地) by the MOC;
2008	We released the signature project adopting our fourth-generation technology: Lu Yuan (麓園);
2013	We were honored with the Elite Science and Technology Award (精瑞科學技術獎) granted by the Elite Science and Technology Award Committee (精瑞科學技術獎獎勵委員會);
2014	We released the fifth-generation technology;
2015	We released the sixth-generation technology;
2015	We implemented the Broad Homes United Program and expanded the network across the country and part of our overseas network;
2016	We received the Subcategory of International Carbon-Value Award-Ecological Practice Award (國際碳金分項獎—生態實踐獎) granted by the World Economic and Environmental Conference;
2017	We were named as one of the National Prefabricated Building Industrialization Bases (國家裝配式建築產業基地) by the MOHURD;
2018	Our wholly-owned factories and Joint Factories covered approximately 100 cities in China;
2018	We ranked No. 1 among the "First-Choice Brands" in prefabricated construction in the selection of first choice brands of China's top 500 real estate developers organized by China Real Estate Association and China Real Estate Appraisal Center;
2018	We were selected for the Pilot Demonstration Project of Intelligent Manufacturing 2018 (2018智能製造試點示範項目) by the MIIT;
2018	We launched PC Maker I; and
2019	We continued to rank No. 1 among the "First-Choice Brands" in prefabricated construction in the selection of the first choice brands of China's top 500 real estate developers organized by China Real Estate Association and China Real Estate Appraisal Center.

Establishment of our Company and major changes in shareholdings

(1) On April 30, 2006, Chairman Zhang and Ms. Liu established the Company with a registered capital of RMB255,000,000. The capital contributions subscribed by Chairman Zhang and Ms. Liu accounted for 90% and 10% of the then registered capital of the Company, respectively.

(2) From January 2008 to April 2013, there were several changes in the shareholding structure of the Company, including but not limited to the transfer of the entire equity interests in

the Company directly held by Ms. Liu to Chairman Zhang, and the transfer of a portion of the equity interests in the Company directly held by Chairman Zhang to Broad Lingmu, Dazheng Investment and Daxin Investment, respectively. On April 24, 2013, the capital contributions subscribed by Chairman Zhang, Broad Lingmu, Dazheng Investment and Daxin Investment accounted for 53.70%, 36.30%, 3.92% and 6.08% of the then registered capital of the Company, respectively. As at the Latest Practicable Date, Broad Lingmu was a company wholly owned by Chairman Zhang whose principal business was investment holding, and Dazheng Investment and Daxin Investment were the Company's employee stock ownership platforms whose sole businesses were holding equity interests in the Company (for details, please refer to "—Equity incentives in our history").

(3) On July 12, 2013, the registered capital of the Company increased to RMB285,770,000 as a result of the introduction of certain pre-IPO investors.

(4) From December 2013 to January 2015, Broad Lingmu transferred a portion of its equity interests in the Company to certain pre-IPO investors.

(5) On December 10, 2015, the Company was converted into a joint stock limited company and changed its company name from "Changsha Broad Homes Industrial Group Limited (長沙遠大住宅工業集團有限公司)" to "Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司)".

(6) On December 27, 2017, the registered capital of the Company increased to RMB304,670,000 as a result of the introduction of certain pre-IPO investors.

(7) On March 28, 2019, the registered capital of the Company increased to RMB365,604,000 as a result of bonus issue by way of conversion of capital reserve in the proportion of 2 bonus Shares for every 10 existing Shares held by a shareholder of the Company.

For details of capital increases and transfer of equity interests mentioned in paragraphs (3), (4) and (6) above, please refer to "—Pre-IPO Investments".

Our prior listing and subsequent delisting

Quotation on the NEEQ

The quotation of the Shares (stock code: 837715) on the NEEQ commenced from June 15, 2016 by way of agreement transfer.

Termination of quotation on the NEEQ

On March 13, 2017, the then Shareholders approved the resolution to terminate the quotation of the Shares on the NEEQ.

Our Company applied for the termination of quotation on the NEEQ on March 16, 2017, which became effective from April 10, 2017.

During the quotation period of the Shares on the NEEQ, no trading of our Shares had actually been conducted on the NEEQ.

Compliance during quotation period on the NEEQ

Our Directors confirmed, to their knowledge and belief, that:

(a) during the quotation period of the Shares on the NEEQ (i.e. from June 15, 2016 to April 10, 2017):

(i) our Company had been in compliance in all material respects with all applicable laws and regulations, including Business Rules of the National Equities Exchange and Quotations System (for Trial Implementation);

(ii) our Company had not been subject to any disciplinary action brought by any relevant law enforcement authority or regulatory authority; and

(b) there are no other matters in relation to the prior quotation of the Shares on the NEEQ by the Company that need to be brought to the attention of the Hong Kong Stock Exchange or our Shareholders.

Reasons for termination of quotation on the NEEQ and listing on the Hong Kong Stock Exchange

During the quotation period, the trading activity, equity liquidity and brand awareness of our Shares on the NEEQ failed to meet our expectation. Having taken into account our operation demands and long-term development plan, to further expand and consolidate resource channels and enhance financing efficiency, we terminated the quotation of the Shares on the NEEQ. We further considered that, for enhancing our international profile and accessing a wider range of international investors and the global market, Hong Kong is a more suitable venue for the listing of our Shares.

Equity incentives in our history

In April 2008, Chairman Zhang and Dazheng Investment entered into an equity transfer agreement, pursuant to which Chairman Zhang agreed to transfer his equity interests in the Company representing an amount of RMB10 million at that time to Dazheng Investment. In April 2013, Chairman Zhang and Daxin Investment entered into an equity transfer agreement, pursuant to which Chairman Zhang agreed to transfer his equity interests in the Company representing an amount of RMB15.5 million at that time to Daxin Investment. As at the Latest Practicable Date, Dazheng Investment and Daxin Investment held approximately 3.28% and 5.09% in the share capital of the Company, respectively, and all of the Shares held by Dazheng Investment and Daxin Investment came from the aforementioned transfers of equity interests by Chairman Zhang.

Dazheng Investment and Daxin Investment are the Company's employee stock ownership platforms. In addition to Chairman Zhang, all other shareholders of Dazheng Investment and all of the limited partners of Daxin Investment are employees or previous employees of the Group (the "**Incentive Employees**"). For details, please refer to the notes to "—Shareholding structure of our Company".

On December 29, 2014, each of the Incentive Employees entered into an indirect shareholding agreement (the "**Agreement**") with Dazheng Investment, Daxin Investment and the Company. Set out below are the summarized major terms under the Agreement:

(a) The term of service of an Incentive Employee in the Company shall continue until three years after the proposed listing of the Company commencing from the execution date of the Agreement, or (where the Company fails to be listed within three years from the execution date of the Agreement) continue until five years after the execution date of the Agreement (the "**Employment Term**");

(b) If an Incentive Employee ceases to serve in the Company due to personal reasons (except for serious illnesses or work injury) or termination legally made by the Company pursuant to the agreed circumstances during the Employment Term, he shall transfer his interests in Dazheng Investment and/or Daxin Investment to other persons designated by the Company at a consideration of RMB1 or a price agreed by Chairman Zhang. The consideration for such transfer and the gains previously accrued from such interests in Dazheng Investment and/or Daxin Investment during the Employment Term shall belong to Chairman Zhang; and

(c) An Incentive Employee shall not transfer any of his interests in Dazheng Investment and/or Daxin Investment without prior written consent of the Company (except for the circumstances of paragraph (b) above). Upon expiration of the Employment Term, an Incentive Employee is entitled to freely dispose of the interests of the Company that he holds through Dazheng Investment and/or Daxin Investment, and Dazheng Investment and Daxin Investment shall provide necessary assistance to facilitate such disposal.

Certain Incentive Employees are our Directors. For details, please refer to Note 8 and Note 29 to the section headed "Appendix I—Accountants' Report" and the section headed "Appendix VIII—Statutory and General Information— C. Further Information about Directors, Supervisors, Chief Executive and Substantial Shareholders— 4. Disclosure of Interests of Directors and Supervisors".

Pre-IPO Investments

1. Overview

As mentioned in the part headed "Establishment of our Company and major changes in shareholdings", our Company had introduced the pre-IPO investors (the "**Pre-IPO Investors**") primarily through capital increases and transfer of equity interests by an existing Shareholder (i.e. Broad Lingmu) during the period from 2013 to 2017, which is summarized in the tables below:

The Company made a bonus issue by way of conversion of capital reserve in the proportion of 2 bonus Shares for every 10 existing Shares held by a shareholder of the Company on March 28, 2019. As such, the number of the Shares held by a Pre-IPO Investor shown in the tables below was increased on a pro rata basis upon completion of such bonus issue.

1.1 2013 Capital Increase

On June 27, 2013, our Company, Chairman Zhang, Broad Lingmu, Daxin Investment and Dazheng Investment entered into a capital increase agreement and a supplemental agreement (the "**2013 Capital Increase**") with Dingxinrixin, Shanghai Xinji Investment Center (Limited Partnership)* (上海欣際投資中心（有限合夥）) ("**Shanghai Xinji**"), Shanghai Hanlin Venture Investment Enterprise (Limited Partnership)* (上海漢麟創業投資企業（有限合夥）) ("**Shanghai Hanlin**"), Shanghai Ruili Emerging Industry Investment Fund (Limited Partnership)* (上海瑞力新興產業投資基金（有限合夥）) ("**Shanghai Ruili**"), Hangzhou Jinkai Equity Investment Partnership Enterprise (Limited Partnership)* (杭州晉凱股權投資合夥企業（有限合夥）) ("**Hangzhou Jinkai**"), Hunan Gaoxin Huineng Venture Investment Enterprise (Limited Partnership)* (湖南高新匯能創業投資企業（有限合夥）) ("**Gaoxin Huineng**") and Shanghai Longteng Bafang Enterprise Development Co., Ltd.* (上海龍騰八方企業發展有限公司) ("**Longteng Bafang**"), pursuant to which, each of the aforementioned Pre-IPO Investors agreed to make capital contributions to the Company and subscribe for Shares. Upon completion of the 2013 Capital Increase on July 12, 2013, the registered capital of our Company increased from RMB255,000,000 to RMB285,770,000.

Investors	**Dingxinrixin**	**Shanghai Xinji**	**Shanghai Hanlin**	**Shanghai Ruili** (Note 1)	**Hangzhou Jinkai**(Note 2)	**Gaoxin Huineng**	**Longteng Bafang**
Number of Shares subscribed	2,400,000	6,300,000	2,700,000	7,200,000	5,990,000	3,000,000	3,180,000
Share subscription amount (RMB)	40,008,000	105,021,000	45,009,000	120,024,000	99,853,300	50,010,000	53,010,600
Date of full settlement of investment amount	May 17, 2013	June 3, 2013	May 24, 2013	June 26, 2013	June 28, 2013	May 10, 2013	June 7, 2013
Price per Share and premium over the Offer Price(note 3)	RMB16.67 per Share, representing a premium of 66.87% over the Offer Price						
Basis of determining the consideration	The investment price was determined based on the comprehensive assessment and expectation of the Pre-IPO Investors on the future development of the Company.						
Use of proceeds	We utilized all of the proceeds of the 2013 Capital Increase in the Company's investments in business expansion across the country and the research and development of technology.						
Strategic benefits	The Pre-IPO Investors in the 2013 Capital Increase were engaged in private equity investment businesses. Their investments in our Company benefited the development of our corporate governance, enhanced the corporate value, replenished the capital, enriched the Shareholders' resources and improved the financial structure of our Company, and thus were beneficial to the overall competitiveness of our Company and our rapid business expansion.						

Notes:

(1) On September 4, 2018, Shanghai Ruili entered into an equity transfer agreement with Hunan Jiuyi Tongfu Private Equity Fund Partnership Enterprise (Limited Partnership)* (湖南玖壹同富私募股權基金合夥企業（有限合夥）) ("**Jiuyi Tongfu**"), Changsha Yinghe Shengdao Private Equity Fund Partnership Enterprise (Limited Partnership)* (長沙盈合盛道私募股權基金合夥企業（有限合夥）) ("**Yinghe Shengdao**"), Hangzhou Zhongche Shidai Venture Investment Partnership Enterprise (Limited Partnership)* (杭州中車時代創業投資合夥企業(有限合夥)) ("**Zhongche Shidai**"), Hong Yefan (洪也凡) and Hunan Worong Futong Investment Management Co., Ltd.* (湖南沃融富通投資管理有限公司) ("**Worong Futong**") pursuant to which, Shanghai Ruili agreed to transfer (i) 5,780,000 Shares to Jiuyi Tongfu at a consideration of RMB161,840,000 (the consideration was settled on September 28, 2018); (ii) 350,000 Shares to Yinghe Shengdao at a consideration of RMB9,800,000 (the consideration was settled on September 28, 2018); (iii) 370,000 Shares to Zhongche Shidai at a consideration of RMB10,360,000 (the consideration was settled on September 27, 2018); and (iv) 700,000 Shares to Hong Yefan at a consideration of RMB19,600,000 (the consideration was settled on September 28, 2018). The price per Share was RMB28, representing a premium of 180.28% over the Offer Price. In respect of the equity transfer by Shanghai Ruili, the consideration was determined based on the negotiations among the signing parties.

(2) On November 10, 2015, Hangzhou Jinkai entered into an equity transfer agreement with Chairman Zhang, pursuant to which, Hangzhou Jinkai agreed to transfer 5,990,000 Shares to Chairman Zhang at a consideration of RMB127,360,000. The consideration of the equity transfer was settled on December 7, 2015. The price per Share was RMB21.26, representing a premium of 112.81% over the Offer Price. In respect of the equity transfer by Hangzhou Jinkai, the consideration was determined based on the negotiations between the signing parties.

(3) The premium percentage over the Offer Price is calculated by assuming that the Offer Price is HK$11.08 per H Share (being the mid-point of the Offer Price range as stated in this prospectus).

1.2 Transfer of equity interests by Broad Lingmu

On December 27, 2013, Broad Lingmu entered into equity transfer agreements with Hunan Xiangjinsheng Investment Co., Ltd.* (湖南湘錦聖投資有限公司) ("**Hunan Xiangjinsheng**"), Changsha Jinpei Venture Investment Partnership Enterprise (Limited Partnership)* (長沙金沛創業投資合夥企業（有限合夥）) ("**Changsha Jinpei**") and Yang Lixin (楊立新), respectively, pursuant to which, the above Pre-IPO Investors agreed to purchase our Shares from Broad Lingmu. On December 26, 2014, Broad Lingmu entered into equity transfer agreements with Dingxinrixin, Shanghai Yongjun Equity Investment Partnership Enterprise (Limited Partnership)* (上海永鈞股權投資合夥企業（有限合夥）) ("**Shanghai Yongjun**"), Yuanzhi Fuhai and Hunan Xiangjinsheng, respectively, pursuant to which, the aforementioned Pre-IPO Investors agreed to purchase our Shares from Broad Lingmu (collectively as the "**Equity Transfer by Broad Lingmu**").

	Equity Transfer by Broad Lingmu in 2013			Equity Transfer by Broad Lingmu in 2014			
Investors	**Hunan Xiangjinsheng** (Note 1)	**Changsha Jinpei** (Note 2)	**Yang Lixin**	**Dingxinrixin**	**Shanghai Yongjun**	**Yuanzhi Fuhai**	**Hunan Xiangjinsheng** (Note 1)
Number of Shares transferred	2,100,000	4,790,000	3,000,000	1,700,000	3,530,000	21,170,000	1,130,000
Share transfer consideration (RMB)	35,007,000	79,849,300	50,010,000	26,775,000	50,000,000	300,000,000	16,000,000
Date of full settlement of consideration	December 30, 2013	December 30, 2013	January 2, 2014	January 21, 2015	January 20, 2015	December 29, 2014	February 26, 2015
Price per Share and premium over the Offer Price (note 3)	RMB16.67 per Share, representing a premium of 66.87% over the Offer Price			RMB15.75 per Share, representing a premium of 57.66% over the Offer Price	RMB14.16 per Share, representing a premium of 41.74% over the Offer Price	RMB14.17 per Share, representing a premium of 41.84% over the Offer Price	RMB14.16 per Share, representing a premium of 41.74% over the Offer Price
Basis of determining the consideration	The transfer prices were determined based on the comprehensive assessment and expectation of the Pre-IPO Investors on the future development of the Company, with reference to the investment price per Share of the 2013 Capital Increase.						

Notes:

(1) On January 24, 2018, Hunan Xiangjinsheng entered into an equity transfer agreement with Zhou Bin (周斌), pursuant to which, Hunan Xiangjinsheng agreed to transfer 3,230,000 Shares to Zhou Bin at a consideration of RMB32,526,100. The consideration of the equity transfer was settled on January 24, 2018. The price per Share was RMB10.07, representing a premium of 0.80% over the Offer Price. In respect of the equity transfer by Hunan Xiangjinsheng, the consideration was determined based on negotiations between the signing parties.

(2) On November 10, 2015, Changsha Jinpei entered into an equity transfer agreement with Shenzhen Meitou High-tech Venture Investment Co., Ltd.* (深圳市美投高新技術創業投資有限公司) ("**Shenzhen Meitou**"), pursuant to which, Changsha Jinpei agreed to transfer 4,790,000 Shares to Shenzhen Meitou at a consideration of RMB98,020,000. The consideration of the equity transfer was settled on November 30, 2015. The price per Share was RMB20.46, representing a premium of 104.80% over the Offer Price. In respect of the equity transfer by Changsha Jinpei, the consideration was determined based on negotiations between the signing parties.

(3) The premium percentage over the Offer Price is calculated by assuming that the Offer Price is HK$11.08 per H Share (being the mid-point of the Offer Price range as stated in this prospectus).

1.3 2017 Capital Increase

In December 2017, Hunan Xiangjiang Haijie Equity Investment Partnership Enterprise (Limited Partnership)* (湖南湘江海捷股權投資合夥企業（有限合夥）) (“**Xiangjiang Haijie**”), Fuyang Shangjiu, Hunan Friendship & Apollo Commercial Co., Ltd.* (湖南友誼阿波羅商業股份有限公司) (“**Friendship Apollo**”), Changsha Jiuwo Private Equity Fund Partnership Enterprise (Limited Partnership)* (長沙玖沃私募股權基金合夥企業（有限合夥）) (“**Changsha Jiuwo**”), Peng Xingni (彭杏妮), Xinyu Dongxi Intelligent Home Industrial Investment Partnership Enterprise (Limited Partnership)* (新余東西精華智能住工投資合夥企業（有限合夥）) (“**Xinyu Dongxi**”), Kong Jianguo (孔建國), Wang Yongxian (王擁嫻), Caixin Fund and Dingxinrixin entered into share subscription agreements with our Company, respectively (the “**2017 Capital Increase**”), pursuant to which, each of the aforementioned Pre-IPO Investors agreed to make capital contributions to the Company and subscribe for Shares. Upon completion of the 2017 Capital Increase on December 27, 2017, the registered capital of our Company increased from RMB285,770,000 to RMB304,670,000.

Investors	**Xiangjiang Haijie**	**Fuyang Shangjiu** (Note 1)	**Friendship Apollo**	**Changsha Jiuwo**	**Peng Xingni**	**Xinyu Dongxi**	**Kong Jianguo**	**Wang Yongxian**	**Caixin Fund**	**Dingxinrixin**
Date of the share subscription agreement	December 15, 2017	December 21, 2017	December 26, 2017	December 22, 2017	December 21, 2017	December 21, 2017	December 26, 2017	December 21, 2017	December 26, 2017	December 15, 2017
Number of Shares subscribed	5,710,000	4,280,000	2,000,000	2,000,000	1,430,000	1,040,000	850,000	630,000	550,000	410,000
Share subscription amount (RMB)	199,850,000	149,800,000	70,000,000	70,000,000	50,050,000	36,400,000	29,750,000	22,050,000	19,250,000	14,350,000
Date of full settlement of investment amount	December 20, 2017	December 25, 2017	December 26, 2017	December 27, 2017	December 22, 2017	December 22, 2017	December 26, 2017	December 25, 2017	December 27, 2017	December 19, 2017
Price per Share and premium over the Offer Price (Note 2)	RMB35 per Share, representing a premium of 250.35% over the Offer Price									
Basis of determining the consideration	The investment price was determined based on the comprehensive assessment and expectation of the Pre-IPO Investors on the future development of the Company.									
Use of proceeds	We utilized all of the proceeds of the 2017 Capital Increase in the Company’s investments in business expansion across the country and the research and development of technology.									
Strategic benefits	The 2017 Capital Increase replenished the capital, enriched the Shareholders’ resources and improved the financial structure of our Company, and thus was beneficial to the business expansion of our Company.									

Notes:

(1) On March 14, 2019, Fuyang Shangjiu and its original partners (including all original limited partners and general partner) entered into a partnership transfer agreement with Broad Lingmu and Hunan Xiangjiang Chengxiang Ronghe Development Industrial Private Equity & Funds Management Limited* (湖南湘江城鄉融合發展產業私募股權基金管理有限公司) (“**Xiangjiang Ronghe**”), pursuant to which (1) all original limited partners agreed to sell and Broad Lingmu (as the new sole limited partner) agreed to acquire all partnership interest held by those original limited partners at a consideration of RMB160,632,300 and (2) the original general partner agreed to sell and Xiangjiang Ronghe (as the new general partner) agreed to acquire all partnership interest held by the original general partner at a consideration of RMB1,000,000 (together, the “**Partnership Transfers**”). The consideration for each of the Partnership Transfers has been settled on March 14, 2019. Immediately after completion of the Partnership Transfers, Broad Lingmu and Xiangjiang Ronghe held 99.33% and 0.67% of the entire partnership interest in Fuyang Shangjiu, respectively.

Xiangjiang Ronghe is indirectly owned as to 66% equity interest and ultimately controlled by Mr. Zhou Bin, the spouse of Ms. Shi Donghong (our executive Director). On March 16, 2019, due to internal adjustment of interest holding arrangement between Xiangjiang Ronghe and its ultimate controller, Mr. Zhou Bin, Xiangjiang Ronghe agreed to transfer all of its partnership interest in Fuyang Shangjiu (i.e. the 0.67% partnership interest in Fuyang Shangjiu) to Mr. Zhou Bin (as the new general partner of Fuyang Shangjiu) at a consideration of RMB1,000,000. The consideration was settled on March 17, 2019.

(2) The premium percentage over the Offer Price is calculated by assuming that the Offer Price is HK$11.08 per H Share (being the mid-point of the Offer Price range as stated in this prospectus).

2. Background and shareholdings of the Pre-IPO Investors

Set out below are the backgrounds of the Pre-IPO Investors and their shareholdings in our Company as at the Latest Practicable Date and immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised):

Pre-IPO Investors	Shareholdings in the Company as at the Latest Practicable Date (%)	Shareholdings in the Company upon completion of Global Offering (assuming no exercise of the Over-allotment Option) (%)	Background of the Pre-IPO Investors
Dingxinrixin	1.48	1.11	A private equity investment fund filed with the Asset Management Association of China, established on May 9, 2013 and its principal business includes equity investment management, investment consultation service
Shanghai Xinji	2.07	1.55	A private equity investment fund filed with the Asset Management Association of China, established on May 13, 2013, and its principal business includes venture capital, industrial investment, investment management and investment consultation
Shanghai Hanlin	0.89	0.66	A private equity investment fund filed with the Asset Management Association of China, established on June 3, 2010, and its principal business includes venture capital, industrial investment, investment management and investment consultation
Gaoxin Huineng	0.98	0.74	A private equity investment fund filed with the Asset Management Association of China, established on May 3, 2013, and its principal business includes venture capital through self-owned assets, acting as agents for other venture capitals or individual venture capital businesses, venture capital consultation services, provision of venture management services for venture enterprises
Longteng Bafang	1.04	0.78	An investment company, established on November 10, 2010, and its principal business includes enterprise management, industrial investment, investment management, asset management, real estate development, hotel management, property management, interior renovation, design, investment consultation, corporate marketing planning, corporate image planning, landscaping construction engineering, renting of self-owned facility, warehouse services, etc.
Zhou Bin	1.06	0.80	Mr. Zhou Bin is the spouse of Ms. Shi Donghong, a Director of the Company. Therefore, he is a connected person of the Company.

Pre-IPO Investors	Shareholdings in the Company as of the Latest Practicable Date (%)	Shareholdings in the Company upon completion of Global Offering (assuming no exercise of the Over-allotment Option) (%)	Background of the Pre-IPO Investors
Yang Lixin	0.98	0.74	—
Yuanzhi Fuhai	6.95	5.21	A private equity investment fund filed with the Asset Management Association of China, established on December 23, 2014, and its principal business includes equity investments, trusted asset management, investment consultation and financial consultation Mr. Zhang Quanxun, a Director of the Company, controls one of the general partners of Yuanzhi Fuhai. Therefore, Yuanzhi Fuhai is a connected person of the Company.
Shanghai Yongjun	1.16	0.87	A private equity investment fund filed with the Asset Management Association of China, established on December 25, 2014, and its principal business includes equity investments, investment consultations, equity investment management and financial consultation
Shenzhen Meitou	1.57	1.18	An equity investment company, established on April 16, 2008, and its principal business includes venture capital investment business, acting as agents for other venture capital investment enterprises or individual venture capital businesses, venture capital investment consultation business, provision of venture management services for venture enterprises
Xiangjiang Haijie	1.87	1.41	A private equity investment fund filed with the Asset Management Association of China, established on March 3, 2017, and its principal business includes equity investments through self-owned capital, venture capital investment, venture capital investment consultation business, and acting as agents for other venture capital investment enterprises or individual venture capital investment businesses
Fuyang Shangjiu	1.40	1.05	A limited partnership of equity investment, established on December 12, 2017, and its principal business includes equity investments, investment management and asset management services Broad Lingmu, a company wholly-owned by Chairman Zhang, controls approximately 99.33% partnership interest of Fuyang Shangjiu. Mr. Zhou Bin, the spouse of Ms. Shi Donghong (an executive Director), is the general partner of Fuyang Shangjiu. Therefore, Fuyang Shangjiu is a connected person of the Company.

Pre-IPO Investors	Shareholdings in the Company as of the Latest Practicable Date (%)	Shareholdings in the Company upon completion of Global Offering (assuming no exercise of the Over-allotment Option) (%)	Background of the Pre-IPO Investors
Friendship Apollo	0.66	0.49	A company listed on the Shenzhen Stock Exchange (stock code: 002277), established on June 7, 2004, and its principal business includes merchandise retailing and relevant ancillary services, investments, operations, and management of hospitality, catering, leisure entertainment business
Changsha Jiuwo	0.66	0.49	A private equity investment fund filed with the Asset Management Association of China, established on December 21, 2017, and its principal business includes unlisted equity investment activities and relevant consultation services
Peng Xingni	0.47	0.35	—
Xinyu Dongxi	0.34	0.26	A private equity investment fund filed with the Asset Management Association of China, established on December 5, 2017, and its principal business includes venture capital, investment management, and investment consultations
Kong Jianguo	0.28	0.21	—
Wang Yongxian	0.21	0.16	—
Caixin Fund	0.18	0.14	An equity investment management company, established on January 17, 2001, and its principal business includes trusted management of private asset fund and equity investment fund, trusted asset management, investment management, venture capital investment, equity investment
Jiuyi Tongfu	1.90	1.42	A private equity investment fund filed with the Asset Management Association of China, established on June 26, 2018, and its principal business includes engaging in non-listing equity investment activities and relevant consultation services
Hong Yefan	0.23	0.17	—
Zhongche Shidai	0.12	0.09	A private equity investment fund filed with the Asset Management Association of China, established on December 27, 2016, and its principal business includes venture capital investment, private equity investment, venture capital investment consultation businesses, provision of venture management services for venture capital enterprises

Pre-IPO Investors	Shareholdings in the Company as of the Latest Practicable Date (%)	Shareholdings in the Company upon completion of Global Offering (assuming no exercise of the Over-allotment Option) (%)	Background of the Pre-IPO Investors
Yinghe Shengdao	0.11	0.09	A private equity investment fund filed with the Asset Management Association of China, established on May 18, 2018, and its principal business includes engaging in unlisted equity investment activities and relevant consultation services Mr. Zhou Bin, the spouse of Ms. Shi Donghong (an executive Director) controls 30% interests of Yinghe Shengdao. Therefore, Yinghe Shengdao is a connected person of the Company.

As stated above, each of Mr. Zhou Bin, Yuanzhi Fuhai, Yinghe Shengdao and Fuyang Shangjiu is our connected person. All other Pre-IPO Investors are the Independent Third Parties.

According to the Company Law, the Pre-IPO Investors shall not transfer their Shares in our Company within one year from the Listing Date. Save as disclosed above, no other lock-up obligations under any agreements had been imposed upon the Pre-IPO Investors in respect of their holding of Shares of our Company upon Listing.

3. Special rights of the Pre-IPO Investors

Certain Pre-IPO Investors had been granted certain special rights relating to our Company, including but not limited to the director nomination right, information right, anti-dilution terms, performance compensation and undertakings, and share repurchase terms. As of the Latest Practicable Date, our Company had entered into supplemental agreements with each of these Pre-IPO Investors, pursuant to which, each of these Pre-IPO Investors agreed that terms of special rights shall be terminated upon Listing, to ensure such investors would not enjoy any special rights that are not available to our other Shareholders at the time of Listing.

4. Public float

Apart from Mr. Zhou Bin, Yuanzhi Fuhai, Yinghe Shengdao and Fuyang Shangjiu who are connected persons of the Company, other Pre-IPO Investors are independent from the Group and our connected persons, and after Listing, the Shares held by those independent Pre-IPO Investors will be counted into the public float of the Company.

5. Confirmation of Joint Sponsors

On the basis that (i) the consideration for the 2013 Capital Increase, the Equity Transfer by Broad Lingmu and the 2017 Capital Increase was settled more than 28 clear days before the date of our first submission of the Listing application to the Hong Kong Stock Exchange; and (ii) the special rights granted to the Pre-IPO Investors will not survive Listing, the Joint Sponsors confirm that, the 2013 Capital Increase, the Equity Transfer by Broad Lingmu and the 2017 Capital Increase are in compliance with the Interim Guidance on Pre-IPO Investments issued by the Hong Kong Stock

Exchange in October 2010 and updated in March 2017, the Guidance Letter HKEx-GL43-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in July 2013 and March 2017, and the Guidance Letter HKEx-GL44-12 issued by the Hong Kong Stock Exchange in October 2012 and updated in March 2017.

Post Track Record Period Acquisition

On July 1, 2019, the Company entered into an investment cooperation agreement (the "**Agreement**") with Cize Holding Limited ("**Cize**"), pursuant to which, among other things, the Company agreed to acquire 35% equity interest of Industrial Park Grójec sp. z o.o. (the "**Target Company**") from Cize provided that the Target Company will become the owner of the Land (as defined below) (the "**Post Track Record Period Acquisition**").

The consideration for the Post Track Record Period Acquisition is PLN6.48 million (equivalent to approximately RMB11.81 million based on the exchange rate of PLN1.00 to RMB1.8235 for illustration purpose only, the exchange rate of which is applied in calculating the equivalent amount in RMB in this section) plus the interest accrued thereof which will be calculated at the rate of 8% per annum starting from the date of the Land Acquisition (as defined below). Such consideration is determined by the parties upon arm's length negotiations with reference to the total consideration for the Land Acquisition and the Company's shareholding in the Target Company upon completion. The Company proposes to use the proceeds from the Global Offering to pay the consideration.

The obligations of the Company under the Agreement are subject to the Land Acquisition. The Target Company shall purchase a land parcel (the "**Land**") in Poland with a site area of 400,000 sq.m near the town of Grójec (Masovian Voivodship) (the "**Land Acquisition**") for a consideration of PLN18.5 million (equivalent to approximately RMB33.74 million). The Land would be used for construction of a factory for prefabricated, concrete materials and products. The Land Acquisition is expected to be completed by the end of 2019.

Subject to the fulfillment of the aforesaid condition precedent, the Company shall be obliged to conduct the Post Track Record Period Acquisition within one month after the Listing Date or December 31, 2019, if the Company fails to complete the Listing by 2019.

Upon completion, assuming that there is no other change in the share capital of the Target Company, the Company and Cize will hold 35% and 65% equity interest in the Target Company, respectively, and the Target Company will not be consolidated as a subsidiary into the consolidated accounts of the Company.

The Target Company is a limited liability company incorporated on June 17, 2019 in Poland with a total registered capital of PLN0.1 million (equivalent to approximately RMB0.18 million), which was 100% owned by Cize at the time of signing the Agreement. Apart from the Land to be acquired, the Target Company does not possess any substantial assets nor does it carry out any substantial business as at the Latest Practicable Date.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, Cize and its ultimate beneficial owners are Independent Third Parties. Cize is an investment company incorporated in Hong Kong. Its ultimate beneficial owners are Ms. Jin Yi ("**Ms. Jin**") and Mr. Zeng Xiaohui ("**Mr. Zeng**"). Each of Ms. Jin and Mr. Zeng is a businessman having major business in logistics, sourcing, marketing, consulting, investment and real estate development in

Poland. Based on the information provided by Mr. Zeng and Ms. Jin, they as the ultimate beneficial owners primarily held the following companies conducting businesses in Poland:

(a) VERSHOLD POLAND SP. Z O.O. principally engages in import and export business and supply chain management. For the year ended December 31, 2018, its revenue amounted to PLN471.59 million (equivalent to approximately RMB859.94 million) and its total assets were approximately PLN120.70 million (equivalent to approximately RMB220.10 million) as of December 31, 2018;

(b) ATHLETIC MANAGEMENT SP. Z O.O. principally engages in commercial real estate business and consulting services. For the year ended December 31, 2018, its revenue amounted to PLN0.59 million (equivalent to approximately RMB1.08 million) and its total assets were PLN1.26 million (equivalent to approximately RMB2.30 million) as of December 31, 2018;

(c) ATHLETIC MANAGEMENT SP. Z O.O. S.K.A. principally engages in commercial real estate business. It held a parcel of land with a site area of 4,986 sq.m. in Legnica, Poland for construction use. For the year ended December 31, 2018, its revenue amounted to PLN1.20 million (equivalent to approximately RMB2.19 million) and its total assets were PLN5.23 million (equivalent to approximately RMB9.54 million) as of December 31, 2018; and

(d) CHINA GREEN ENERGY SP. Z O.O. S.K.A. principally engages in commercial real estate business. It held three parcels of land in different cities in Poland for agriculture use, namely, a parcel of land in Ruda Białaczowska with a site area of 390,200 sq.m., one in Koryciska with a site area of 197,000 sq.m. and one in Ruciane Nida with a site area of 14,139 sq.m. It did not generate revenue for the year ended December 31, 2018 and its total assets were PLN2.63 million (equivalent to approximately RMB4.80 million) as of December 31, 2018.

As far as the Company is aware, save as the Post Track Record Period Acquisition, neither Mr. Zeng or Ms. Jin has any past or present relationship with the Company and its subsidiaries, their shareholders, directors and senior management or any of their respective associates.

Cize is mainly engaged in holding shares of foreign companies performing various business activities and the Target Company is mainly engaged in preparation for acquiring the Land. After acquiring 35% equity interest in the Target Company, the Company will cooperate with Cize and the Target Company to build a factory on the Land and operate prefabricated construction business in Poland. The parties will separately negotiate on the business cooperation of the Target Company in due course.

The Company believes that the investment in the Target Company is a stepping stone for the Group to promote its technological advantages overseas. Through its investment, the Company is able to seize the potential growth of prefabricated construction industry in Poland, where tremendous housing demand and supportive government policies are already in place. In the long run, the Company plans to leverage on this investment to enhance its reputation and market influence in developing countries in Europe. The Land is with moderate sales price and well-served by transportation. It is also in close proximity to Warsaw, the capital city of Poland with huge demand for housing. By acquiring the Land, the Target Company is able to conveniently access to substantial prefabricated construction market demand nearby.

Our Company (i) has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Hong Kong Listing Rules; and (ii) has applied to the SFC for, and the SFC has granted us, a certificate of exemption pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance from strict compliance with paragraph 32 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. For details, please refer to the section headed "Waivers from Strict Compliance with the Hong Kong Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance—Waiver and Exemption in Relation to the Post Track Record Period Acquisition."

Subsidiaries

As at the Latest Practicable Date, the Company's subsidiaries were all wholly-owned subsidiaries. Set out below are the principal business and date of establishment and commencement of operation of each of the subsidiaries of the Company:

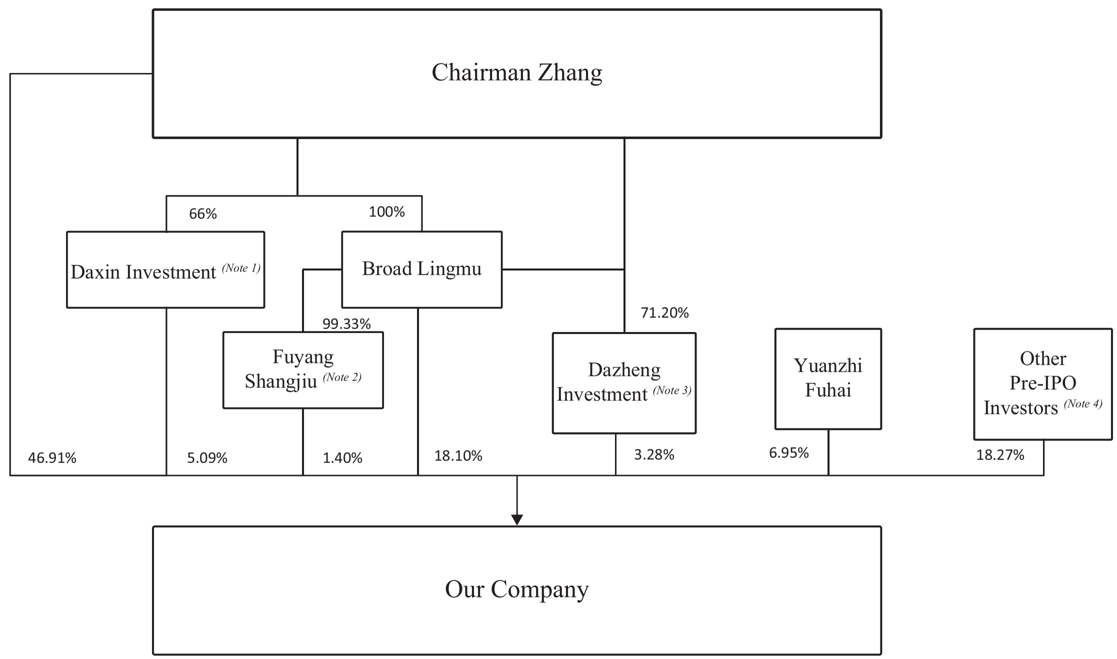
Name of subsidiaries	Principal business	Date of establishment and commencement of operation
Hunan Broad Engineering Design Co. Ltd.* (湖南遠大工程設計有限公司)	Undertaking construction works within the PRC and abroad, and design, consultation and services of construction material projects; design and layout printing of interior and exterior decorations.	September 21, 1994
Hunan Broad Construction Industrial Co., Ltd.* (湖南遠大建工股份有限公司)	Undertaking housing construction works and related sub-contracted works; research, development and application of housing industrialization technology and construction methods; fabrication construction works training and consultation services, etc.	October 13, 1999
Ningxiang Broad Homes Industrial Co., Ltd.* (寧鄉遠大住宅工業有限公司)	Housing industrialization technology, research and development and production of related products, etc.	February 4, 2010
Xiangtan Broad Homes Industrial Co., Ltd.* (湘潭遠大住宅工業有限公司)	Housing industrialization technology, research and development and production of related products, and investment in sanitary wares industry, storage industry and transportation industry.	June 11, 2010
Yueyang Broad Homes Industrial Co., Ltd.* (岳陽遠大住宅工業有限公司)	Housing industrialization technology, research and development, production and consultation services of related products, and investment in sanitary wares industry, storage industry and transportation industry, etc.	February 21, 2012
Changsha Broad Homes Industrial Anhui Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Production and sales of precast concrete housing components; concrete mixing and processing; technology development and consultation services of new construction materials, housing industrialized products and components.	November 5, 2012
Changsha Broad Homes Industrial (Jiangsu) Co., Ltd.* (長沙遠大住宅工業（江蘇）有限公司)	Housing industrialization technology, research and development, production and sales of related products, etc.	November 29, 2012

Name of subsidiaries	Principal business	Date of establishment and commencement of operation
Broad Homes Industrial (Tianjin) Co., Ltd.* (遠大住宅工業（天津）有限公司)	Production and sales of construction components or materials such as precast concrete, construction materials and metal structures (except smelting); housing industrialization technology, technology development, transfer and consultation services of new materials, etc.	October 28, 2013
Broad Homes Industrial (Hangzhou) Co., Ltd.* (遠大住宅工業（杭州）有限公司)	Housing industrialization technology; research and development, production and sales of related products; production, sales, technology development, technology services, technology consultation and technology transfer of precast concrete and precast concrete components, etc.	November 4, 2013
Broad Homes Industrial (Shanghai) Co., Ltd.* (遠大住宅工業（上海）有限公司)	Housing industrialization technology, research and development and sales of related products, and engaging in the processing and production of precast concrete, etc.	December 13, 2013
Hunan Broad Construction Industrial Technology Labor Services Co., Ltd.* (湖南遠大建工技術勞務有限公司)	Subcontracting construction labor services; leasing of construction machinery and equipment; construction consultation.	February 17, 2014
Chenzhou Broad Homes Industrial Co., Ltd.* (郴州遠大住宅工業有限公司)	Housing industrialization technology, research and development, production and consultation services of related products, and investment in projects in sanitary wares industry, storage industry and transportation industry, etc.	July 2, 2014
Changsha Broad Bathroom Co., Ltd.* (長沙遠大整體浴室有限公司)	Research and development of bathroom and latest environmental composite materials; production of bathroom, environmental protection materials and latest environmental composite materials, etc.	July 17, 2014
Guangzhou Broad Homes Industrial Co., Ltd.* (廣州遠大住宅工業有限公司)	Manufacturing of cement products and concrete; production of precast concrete; production of construction samples; production of sanitary pottery products; production of lightweight construction materials; production of cement and concrete decorations.	February 17, 2016
Changsha Broad Homes Industrial Fuyang Co., Ltd.* (長沙遠大住宅工業阜陽有限公司)	Production and sales of precast concrete housing components; concrete mixing and processing; technology development and consultation services of new construction materials, housing industrialized products and components.	May 6, 2016
Lu’an Broad Homes Industrial Co., Ltd.* (六安遠大住宅工業有限公司)	Production and sales of precast concrete housing components; concrete mixing and processing; technology development and consultation services of new construction materials, housing industrialized products and components.	December 26, 2016

Name of subsidiaries	Principal business	Date of establishment and commencement of operation
Changsha Broad Homes Intelligent Technology Co., Ltd.* (長沙遠大住工智能科技有限公司)	Research and development and transfer of intelligent technology; development of application software; sales of computer software, computer peripherals, products and system of information centers; related services such as software technology services.	July 16, 2018
Beijing Parallel System Information Technology Co., Ltd. (平行系統（北京）信息技術有限公司)	Technological promotion services; application and software services; software development; computer information services; data processing.	August 8, 2018
Broad Homes Industrial (Nanjing) Co., Ltd.* (遠大住宅工業（南京）有限公司)	Housing industrialization technology, research and development, production and sales of related products, etc.	September 25, 2018
Hefei Broad Homes Industrial Co., Ltd.* (合肥遠大住宅工業有限公司)	Production and sales of precast concrete housing components; concrete mixing and processing; technology development and consultation services of new construction materials, housing industrialized products and components.	September 28, 2018
Maanshan Broad Homes Industrial Co., Ltd.* (馬鞍山遠大住宅工業有限公司)	Production of precast concrete, etc.	September 29, 2018
Wuhan Broad Homes Industrial Co., Ltd.* (武漢遠大住宅工業有限公司)	Production of PC units, etc.	January 11, 2019
Changsha Broad Module Technology Co., Ltd.* (長沙遠大模塊科技有限公司)	Technological promotion services, etc.	January 25, 2019
Shenzhen Broad Homes Industrial Co., Ltd.* (深圳遠大住宅工業有限公司)	Production of PC units, etc.	March 4, 2019
Huizhou Broad Homes Industrial Co., Ltd. (惠州遠大住宅工業有限公司)	PC unit manufacturing	April 16, 2019
Hunan Broad Homes Intelligent Equipment Co., Ltd.* (湖南遠大住工智能裝備有限公司)	Manufacturing and sales of intelligent equipment, electromechanical equipment and engineering machinery; research and development and consultation services of IoT technology, etc.	May 5, 2019
Changsha Parallel Digital Technology Co., Ltd.* (長沙平行數字科技有限公司)	Digital services; IoT technology services; information technology consultation services; software development; data collection and processing, etc.	June 14, 2019

Shareholding structure of our Company

Shareholding structure immediately prior to the Global Offering



Notes:

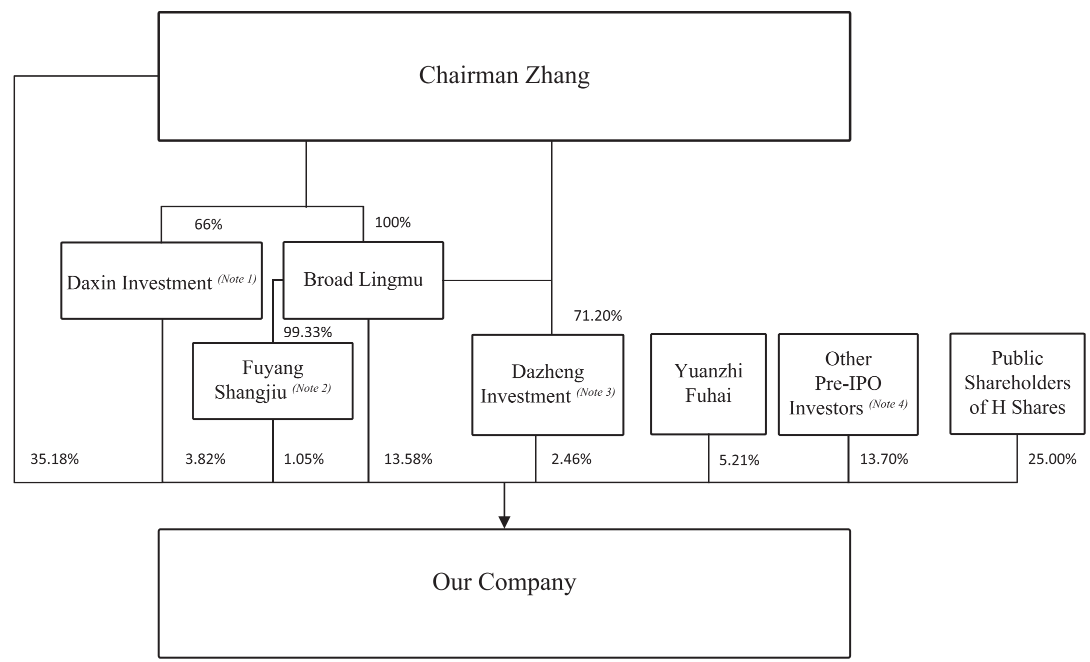
(1) Daxin Investment is the Company's employee stock ownership platform. As at the Latest Practicable Date, Chairman Zhang was the general partner of Daxin Investment, holding 66% partnership interest in it. Limited partners of Daxin Investment included Tang Fen (唐芬), Shi Donghong (石東紅), Zhang Kexiang (張克祥), Tan Xinming (譚新明), Yin Zhankui (尹占魁), Long Qiman (龍啓滿), Shen Dan (沈丹), Xiao Zai (肖在), He Lei (何磊), Zhang Zhong (張忠), Ouyang Wenhe (歐陽文和), Liu Sibing (柳四兵), Chen Shaolin (陳韶臨) and Wang Yaming (王雅明), all of whom are employees or previous employees of our Group.

(2) As at the Latest Practicable Date, Broad Lingmu was the limited partner of Fuyang Shangjiu, holding 99.33% partnership interest in it.

(3) Dazheng Investment is also the Company's employee stock ownership platform. As at the Latest Practicable Date, Chairman Zhang, directly and indirectly (through Broad Lingmu, a company 100% owned by him), held 71.20% shares of Dazheng Investment. Other shareholders of Dazheng Investment included Tang Fen (唐芬), Shi Donghong (石東紅), Zhang Kexiang (張克祥), Tan Xinming (譚新明), Ouyang Wenhe (歐陽文和), Yin Zhankui (尹占魁), Huang Jianhai (黃建海), Yu dayou (俞大有) and Hu Feng (胡鋒), all of whom are employees or previous employees of our Group.

(4) Details of other Pre-IPO Investors, please refer to "—Pre-IPO Investments—2. Background and shareholdings of the Pre-IPO Investors" above.

Shareholding structure immediately following completion of the Global Offering (assuming Over-allotment Option is not exercised)



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OVERVIEW

We are the pioneer and leader in the industrialization of construction industry in the PRC. Leveraging on our strong technology capability accumulated throughout years and continuous innovation, research and development efforts, we have become a platform to provide comprehensive solutions of industrialization of construction industry in China, which comprise globalized, scalable, professionalized and intelligent manufacturing of prefabricated buildings and services.

We are committed to establishing a digitized system covering the entire industry chain of construction in which various elements of the industry chain can be defined and the entire construction process, from design and manufacturing to construction, operation and maintenance, can be simulated in the cyber space by adopting information technology. Such process determines the variables in the construction process, and is driven by data through IoT to guide the operation and implementation of construction process in the physical space. Through bridging the gap between construction industry and industrialized operation, we have transformed the traditional scattered construction industry, which relies on handcrafts of workers, into modern industrialized manufacturing, which is intensive and efficient. Moreover, together with other market players along the industry chain, we have formulated standards of construction industrialization to establish an industry ecosphere.

We were the largest prefabricated construction service provider in the world equipped with capabilities in both PC unit manufacturing and PC equipment manufacturing in terms of revenue in 2018. We were the largest PC unit manufacturer in the PRC in terms of revenue in 2018 with a market share of 13.0%, and the largest PC equipment manufacturer in the PRC in terms of revenue in 2018 with a market share of 38.3%, according to Frost & Sullivan. In 2018, the construction areas of our newly-signed contracts accounted for 63.8% and 13.5% of the total new floor areas of prefabricated buildings in Hunan Province and Eastern China, respectively. As of April 30, 2019, we had 15 wholly-owned PC factories and contracted to invest in 85 Joint Factories, covering 100% (in terms of number) of cities with GDP over RMB1,000 billion in 2018 and 65% (in terms of number) of cities with GDP over RMB100 billion in 2018 across China. As of the end of 2018, the total production capacity of our wholly-owned PC factories and Joint Factories was approximately 5.3 million cubic meters, accounting for approximately 16.1% of the overall production capacity of the PC unit market in China. We are capable of developing the whole set of PC equipment and conducting overall planning for the construction of PC unit manufacturing factories.

We were the first in the industry to possess a technology system covering the entire industry chain with proprietary intellectual property. Early in 1996, our founder and management team entered the field of construction industrialization. We were also among the first batch of enterprises having been named as National Housing Industrialization Bases (國家住宅產業化基地), and the only prefabricated construction enterprise having been selected for the Pilot Demonstration Project of Intelligent Manufacturing 2018 (2018 智能製造試點示範項目) by the MIIT. With over 20 years of experience of our management team in the industry, we have formed partnership with eight of the top 10 real estate developers (in terms of saleable area in 2017 according to Frost & Sullivan) and six of the top 10 construction companies (in terms of aggregate amount of contract value in 2017 according to Frost & Sullivan). We have supplied PC units to several landmark projects in China as follows:

- Changsha Yanghu Lantian Low-income Housing Project (長沙洋湖藍天保障性住房項目), the largest prefabricated building project in terms of total construction areas in China, in 2012;

- Qingtang Bay Public Rental Housing Project (青棠灣公租房項目), the largest prefabricated public rental housing pilot project under construction in terms of total construction areas in Beijing as of the end of 2018; and
- two phases of Hefei Binhu Qin Garden Project (合肥濱湖沁園項目), the largest industrialized residential project under construction in China in terms of total construction areas as of the end of 2017.

We have three business segments. The following tables set forth a breakdown of our revenue and gross profit by business segments for the indicated periods:

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Revenue										
PC Unit Manufacturing . . .	441,887	26.4	891,159	46.0	854,334	37.7	132,517	37.3	350,651	54.3
PC Equipment Manufacturing . . .	330,411	19.8	836,196	43.2	1,226,268	54.0	196,818	55.4	218,429	33.8
Construction Contracting	899,197	53.8	208,334	10.8	188,527	8.3	25,973	7.3	76,929	11.9
Total	**1,671,495**	**100.0**	**1,935,689**	**100.0**	**2,269,129**	**100.0**	**355,308**	**100.0**	**646,009**	**100.0**

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Gross Profit										
PC Unit Manufacturing . . .	177,648	29.5	284,537	40.4	203,643	28.1	23,353	22.4	71,788	44.1
PC Equipment Manufacturing . . .	135,213	22.4	361,466	51.2	466,404	64.4	74,437	71.6	72,082	44.3
Construction Contracting	289,622	48.1	58,927	8.4	54,500	7.5	6,230	6.0	18,966	11.6
Total	**602,483**	**100.0**	**704,930**	**100.0**	**724,547**	**100.0**	**104,020**	**100.0**	**162,836**	**100.0**

From 2016 to 2018, our revenue increased from RMB1,671.5 million to RMB2,269.1 million, at a CAGR of 16.5%; and our gross profit increased from RMB602.5 million to RMB724.5 million, at a CAGR of 9.7%. For the four months ended April 30, 2019, we had revenue of RMB646.0 million, representing an increase of 81.8%, as compared to the four months ended April 30, 2018; and we had gross profit of RMB162.8 million, representing an increase of 56.5% as compared to the four months ended April 30, 2018.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 our total new contract value (which represents the total value of contracts we entered into during a specific period) was approximately RMB2,440.0 million, RMB3,562.3 million, RMB4,618.3 million and RMB1,241.9 million, respectively. As of April 30, 2019, our backlog (which is the total contract value of products or services that have not been completed as of a certain date) was RMB5,185.1 million.

OUR COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors:

We are the pioneer and leader in the industry with advanced and unparalleled technology systems, brand premium and client strengths

Leveraging on over 20 years of experience of our founder and management team, we have established a complete technology system leading the industrialization of construction industry in the PRC. We are able to manufacture PC units and intelligent PC equipment as well as provide industrialized construction technology services and comprehensive solutions for the life cycle of a building. These services and solutions cover research and development, design, industrial production, construction engineering, equipment manufacturing and operation services. We are the largest PC prefabricated construction service provider equipped with both PC unit manufacturing and PC equipment manufacturing capabilities in the world in terms of revenue in 2018. We are also the largest PC unit manufacturer in China with a leading market position particularly in Hunan Province and Eastern China.

Capitalizing on the first class PC unit manufacturing capability as well as advanced software and systems such as PC Maker and PC-CPS, we have connected each step of the construction industry chain covering design, manufacturing, construction, operation and maintenance, and have become a standardized portal for industrialization and intelligent service platform in the construction industry. We dedicate ourselves to the realization of the digitized design, digitized factory and digitized construction site, and lead the revolution of Industrialization 4.0. Supported by our strong technological capability, our per-capita production efficiency for PC units manufacturing reaches 2.0 m^3/day, far higher than the average level of industry peers in China which is approximately 0.5-0.6 m^3/day. As a result, the average gross profit margin of our PC unit manufacturing business for the years ended December 31, 2016, 2017 and 2018 has reached over 30%, higher than the average of 5%-15% of the industry peers in China during the same periods.

Our brand "Broad Homes Industrial" is well recognized in the PRC and abroad. We are the only prefabricated construction enterprise selected by the MIIT to participate in the Pilot Demonstration Project of Intelligent Manufacturing 2018. In January 2019, we appeared in the video published by the Information Office at the State Council as one of the "name cards" of Changsha facing the world. We have won several distinguished awards and honors, including the Elite Science and Technology Award （精瑞科學技術獎）granted by the Elite Science and Award Committee as recognized by the Ministry of Science and Technology of the PRC and the National Office for Science and Technology Awards in 2013, Subcategory of International Carbon-Value Award—Ecological Practice Award granted by the World Economic and Environmental Conference in 2017, Prize of Temple of Heaven for China Prefabricated Construction 2018 （2018中國裝配式建築天壇獎） granted by China Real Estate News, China Thinktank and China Real Estate Business Academy (中國房地產報研究院), and were awarded the title of 2018 Model Enterprise of Technological Subcategory of Innovation in Prefabricated Building in the PRC. In the selection of first choice brands of China's top 500 real estate developers organized by China Real Estate Association and China Real Estate Appraisal Center in 2018, we ranked No. 1 among the "First-Choice Brands" in prefabricated construction.

Over the years, we have developed a high quality customer base. As of April 30, 2019, we had provided integrated prefabricated construction solutions to nearly 300 clients, including eight of the top

10 real estate developers of 2017 in terms of sales areas according to Frost & Sullivan; and six of the top 10 construction companies of 2017 in terms of total contracted amounts according to Frost & Sullivan. Moreover, we have more than two years of cooperative relationships with nine customers and have provided prefabricated construction services to top-notch PRC developers, such as Hefei Vanke Ruixiang Real Estate Co., Ltd.* (合肥萬科瑞翔地產有限公司) ("**Hefei Vanke**"), Chenzhou Beihu Country Garden Property Development Co., Ltd.* (郴州北湖碧桂園房地產開發有限公司) ("**Chenzhou Country Garden**"), and Hefei Jinjun Property Development Co., Ltd.* (合肥金郡房地產開發有限公司) ("**Hefei Gemdale**") and large-scale construction companies, such as The First Construction Engineering Co., Ltd. of China Construction Second Engineering Bureau* (中建二局第一建築工程有限公司) and The Fourth Construction Co., Ltd. of China Construction Eighth Engineering Division* (中建八局第四建設有限公司) (collectively, "**China State Construction**"), in various cities.

We believe our leading and unparalleled technology systems, brand premium and customer strengths will lay a solid foundation for us to continuously secure various high value projects and eventually realize our vision to become the most valuable company in the construction industry of the world.

We, as a market leader, are well positioned to seize the opportunities arising from the explosive growth in prefabricated construction industry in the PRC

There are tremendous growth potentials in the prefabricated construction industry in the PRC. As a result of the general aging of the population, the number of workers who are willing to engage in traditional construction industry is decreasing sharply, leading to the rise in labor cost year by year. In addition, as a result of the enhancement of environmental protection requirements driven by the PRC government's rising environmental consciousness as well as citizens' increasing demand for high quality residence driven by the general trend of consumption upgrade, the traditional construction methods are no longer sustainable. As such, we believe that prefabricated construction will become an inevitable result of the construction industry's evolution because, as compared to traditional construction method, prefabricated construction has significant advantages in terms of efficiency, environment protection and quality. Please refer to the section headed "Industry Overview—Comparison of Prefabricated Construction Method and Cast-on-site Construction Method in China" for more details. Besides, according to Frost & Sullivan, prefabricated construction in China only had a penetration rate of less than 5% in 2018, far lower than that of developed countries (approximately 32% for Germany and approximately 40% for Northern Europe), which we believe has presented a huge growth potential.

Recently, the PRC government has escalated the development of prefabricated construction as one of the national strategies in construction industry for the development of construction industry and thus introduced a series of supportive policies. According to Frost & Sullivan, the market size of PC units and PC equipment in China recorded a CAGR of 119.6% and 134.0%, respectively, from 2013 to 2018 and are estimated to reach RMB305.3 billion and RMB11.8 billion, respectively, in 2023, growing at CAGR of 65.0% and 19.1%, respectively from 2019 to 2023. In particular, the new floor areas of prefabricated concrete buildings in Hunan Province and Eastern China where we have the highest market shares in terms of the new floor areas of prefabricated concrete buildings in 2018 are estimated to grow at CAGR of 53.8% and 55.6%, respectively, from 2018 to 2023. In addition, driven by the accelerated progress of urbanization and strong policy support in the PRC, certain fields for the prefabricated construction, such as municipal underground utility tunnels have presented new growth potentials. According to Frost & Sullivan, the construction of underground utility tunnels is expected to have a market size of RMB1,600 billion in the next five years with an estimated sales volume of PC units reaching over RMB50 billion.

As a market leader, we are equipped with extensive technology capabilities and experience as well as rapidly-expanding business model. As such, we are well positioned to seize the opportunities arising from the explosive growth of prefabricated construction industry in China. In our PC unit manufacturing business, we have the product portfolio of six generations of high-rise prefabricated buildings, nationwide leading information system, experience accumulated from over 1,000 projects and strategic geographic coverage of factories in China. We also have independent proprietary intellectual property for PC equipment and are capable of realizing flexible production, lean management and digital operation by using intelligent equipment and technologies. Furthermore, in the area of underground utility tunnels, we have applied our self-developed integral prefabricated utility tunnels composite technology in the projects in provinces of Hunan, Shanxi, Guangdong, Zhejiang and Shandong.

We believe our leading position in the market enables us to seize opportunities arising in the future development of the prefabricated construction industry in China.

We are the first to utilize the whole-process digitized information system in the prefabricated construction industry in China to realize the intelligent manufacturing driven by massive data

We are the first PC manufacturing company in the prefabricated construction industry in China that utilizes digital information system in the whole operation process. As such, we believe we have led the industry development toward the realization of the combination of manufacturing and internet of things. We launched PC Maker I in 2018, the first forward design software based on BIM platform in prefabricated construction in the PRC, and developed the unique intelligent manufacturing management system (i.e. PC-CPS) that makes possible the mass production of customized products based on massive market demand. The nine modules in PC-CPS, including marketing module, building module, product module, technological engineering module, production module, supply chain module, manpower module, finance module and construction module, have achieved data sharing and collaboration among different stages of the life cycle of prefabricated construction.

With PC-CPS, we are able to:

- break through implementation of the entire construction process from simulation in a cyber space to manufacturing and construction in the physical space;
- introduce, collaborate and synergize the digitized information of each aspect in the whole process;
- conduct analysis through massive data simulation based on extensive project experience and realize real time monitoring; and
- realize flexible manufacturing and customized production driven by digitized data generated based on various demand of clients.

With our PC-CPS in place, according to our internal calculation, we have (i) reduced design costs by more than 80%, shortened the product development cycle by two weeks, improved design accuracy to 99%, and increased design efficiency by more than nine times; and (ii) in respect of production, replaced the original supply driven and planning-oriented production mode with demand driven and automatic coordinated production mode and realized an optimized supply chain and inventory management, as a result of which our manual intervention has reduced by more than 90%, production efficiency has increased by 100-300%, logistics cost has decreased by 20-30% and inventory turnover has risen by 100-200%. We currently perform 95% of our operation and maintenance management through PC-CPS, and have achieved controllable quality, delivery schedule and cost, laying a foundation for continuous and massive production of customized products. The defect rate (calculated as the proportion of the number of defective PC units produced to the total number of PC units produced) of our productions after adopting PC-CPS is within 0.1%, far lower than the average industry defect rate of 5% according to Frost & Sullivan. The cost of our mould production has reduced from 10% to 3% after adopting PC-CPS; our per-capita production efficiency reaches 2.0 m^3/day, far higher than the average level of industry peers in China which is approximately 0.5-0.6 m^3/day according to Frost & Sullivan; and the output value per capita is RMB1.5 million to RMB2.0 million.

We believe that our core competitiveness of efficient production and cost control will become more prominent as the production scale expands and will continue to contribute to the sustainable profitability of our business during the rapid expansion of our business and the development of the industry.

We have established a nationwide network under our dual-engine driven model with combination of wholly-owned factories and Joint Factories, so as to achieve a rapid asset-light expansion while maintaining our core values

In the early stage of prefabricated construction industry before its explosive growth, we were well aware of the importance of scale layout. As such, we initiated Broad Homes United Program to grow our business with the dual-engine driven model which combines wholly-owned factories and Joint Factories, through which we have been able to quickly occupy the key and valuable markets in various regions in the PRC. This model enables us to use limited capital to penetrate into multiple markets in a short period of time, which has resulted in our advantages as an early mover with controllable investment risks.

In some of the key cities with GDP of more than RMB1,000 billion (such as Shanghai, Beijing and Guangzhou), regional center cities (such as Changsha and Zhengzhou) and key regions (such as Eastern China Region, Beijing-Tianjin-Hebei Region and Pearl River Delta Region), we have set up our wholly-owned PC factories featuring automated equipment and digitized management system. They have become our regional flagship factories to attract joint partners to participate in our Broad Homes United Program. In other regions, we select quality local partners, who possess local market resources and financial strength and share the same value with us, to participate in our Broad Homes United Program and set up Joint Factories to manufacture PC units. Broad Homes United Program is purported to promote prefabricated construction together with our JF Partners and quickly occupy the local markets through the combination of PC unit manufacturing and industrialized manufacturing equipment, as well as engineering technique training and guidance and brand support.

As of April 30, 2019, we had 15 wholly-owned PC factories and contracted to invest in 85 Joint Factories, with a production network covering approximately 100 cities. Considering the cost of transportation and potential damage to the products imposed by transportation, a PC factory normally serves the construction projects within an economic transportation radius of 150 kilometers. As such, our wholly-owned PC factories and Joint Factories can supply an area covering 100% (in terms of number) of cities with a GDP over RMB1,000 billion in 2018 and 65% (in terms of number) of cities with a GDP over RMB100 billion in 2018 across China. Our wholly-owned PC factories and the Joint Factories have covered major economic regions in China, such as Beijing-Tianjin-Hebei Region, Yangtze River Delta Region and Pearl River Delta Region, as well as other core metropolis circles in Central and Western China. As of April 30, 2019, we had a total of 158 JF Partners, including some renowned enterprises in China, such as China MCC5 Group Corp. Ltd* (中國五冶集團有限公司), Tianjin Beichen Science and Technology Park Corporation* (天津北辰科技園區總公司), Shanghai Merchants Real Estate Co., Ltd* (上海招商置業有限公司) and MCC Tiangong Group Corporation Limited* (中冶天工集團有限公司).

We believe that we can build a new ecosphere for construction industry with our strong capability of integrating resources. We break the regional constraints by adopting the wholly-owned and joint factories model, and realize the quick output of our technical advantages and the replication of our business models to achieve the capacity expansion. Meanwhile, to build a moat around our business, we cooperate with various participants in the industry chain, including design institutes, material suppliers, real estate developers and constructors, to achieve the integration of data and resources of the industry chain, so that we can create an industry ecosphere to entrench our competitive strength.

Our continuous efforts in technology innovation have driven our development and led the evolvement of our industry and its standards

We have focused on technology research and development to drive our development for the last decade. Over the years, we have developed distinguished advantages in technology innovation. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the total expenditure of our research and development amounted to RMB116.6 million, RMB143.3 million, RMB207.7 million and RMB63.0 million, respectively. Our distinguished advantages in technology are attributable to our excellent research and development team who is equipped with reliable knowledge and rich practical experience. Our technology center has been rated by Hunan Province as Hunan Provincial Enterprise Technology Center. As of April 30, 2019, our research and development personnel and technicians accounted for 29.1% of our total employees, which is significantly higher than the industry average of 10%-20%; members of our design team have an average of five years of experience in the field of prefabricated construction, which is much higher than the industry average of two to three years.

We emphasize on talent development and share of knowledge, and set up the Broad Homes Training Center, being the first training center in China specialized in the provision of systematic training in prefabricated construction. As of April 30, 2019, we had provided trainings to thousands of managers and skilled workers from 43 companies. We believe that high-quality talents will empower our continuous technological innovation in the future and strengthen our leading position in the market.

As the early mover in the prefabricated construction industry, we participated in formulating several national and provincial standards in the industry. As of April 30, 2019, we had edited or co-edited four national and industrial standards currently in effect. In 2014, we participated in the compilation of the Technical Regulations on Prefabricated Concrete Structures, being the first systematic national industrial standards for prefabricated construction currently in use. We and the Joint Factories had participated in the formulation of 27 local standards in connection with 11 provinces and municipalities as of April 30, 2019, including provinces of Hunan, Anhui, Zhejiang and Jiangsu. In addition, as of April 30, 2019, we also participated in the formulation of two industrial group and association standards. We believe that our active participation in formulating the industrial standards will help us promote our technology system and maintain our leading position in the industry.

With strong research and development capabilities, we continue to innovate by improving our products. Our Company and our several subsidiaries were classified as state-level high-tech enterprises. As of April 30, 2019, we had 515 patents, and filed 439 patent applications in the PRC. We possess several world-class core technologies, including, among others, complete PC equipment research and development and manufacturing technology, fully prefabricated residential construction technology and integral utility tunnel composite prefabrication technology. We are committed to improving the quality of our products and services through these technologies. We were reported to be the first to conduct the seismic test on fully prefabricated building in 2015. The results of the test have shown that the seismic level of our fully prefabricated residential buildings is in accordance with the national standards in China. In 2016, we built the first prefabricated underground utility tunnel in China with our latest integral utility tunnel composite prefabrication technology, through which a construction progress of 45-meter main test section was completed in as few as five days, setting a new record of construction speed in China.

We have a visionary founder and experienced management team, who have built a quality-oriented corporate culture

Our founder and Chairman, Mr. Zhang Jian, is a visionary and respected entrepreneur and scientist who has dedicated to improving the living condition of human beings with a view of energy saving, green and environmental protection. He invented the non-pressurized boilers heating system in 1989, and the direct coal-fired lithium bromide refrigerator in 1992. Since 1998, Chairman Zhang has been committed to promoting the modernization of the construction industry and has become the pioneer in the prefabricated construction industry in China. The achievements and influence of Chairman Zhang have been globally recognized. He was elected as a deputy of the 8th and 9th National People's Congress of the PRC, and was selected as a real estate representative individual of the 40th Anniversary of the Reform and Opening Up in the 2018 China Real Estate New Era Festival (2018年中國地產新時代盛典) jointly organized by Leju Finance, Sina Finance, Shanghai Securities News and China Entrepreneur Magazine in 2018. In addition, Chairman Zhang also won several awards relating to invention, such as Concours Lepine International Paris in 2011, the golden award at Geneva International Exhibition of Inventions in 1994, the second prize of National Sci-Tech Advancement in 1996, and China Patent Gold Award in 1990.

Our management team has over 20 years of experience in the prefabricated construction industry. They are well familiar with the operation and management and are loyal to our Company. The key members of technical team have an average of five years of experience in the prefabricated construction industry, and are the backbone of our sustainable development.

Led by Chairman Zhang and senior management team, we have formed our philosophy of "No Speculation and Upholding Professionalism and Dedication", and a quality-oriented corporate culture. Driven by our company philosophy and culture, we are committed to treating each of our products with the spirit of craftsman and enhancing the precision of our PC units to millimeter-level. This culture provides a strong impetus to our continuous research and development innovation, and improvement of product quality and customer experience.

OUR STRATEGIES

To continue to grow our business, we intend to implement the following business strategies:

Continue to invest in domestic regional production centers and Joint Factories

We will continue to implement our strategy of "Scale plus Profits". We plan to leverage on the network of our wholly-owned PC factories and the Joint Factories to integrate our technology centers in various regions to achieve national coverage.

We intend to continue to lead the market through establishing regional production centers nationwide. Regional production center is a combination of wholly-owned PC factory and technology center, where our PC unit manufacturing capability is enhanced with full support from our strong research and development capability of technology centers while the research results of the technology centers can be quickly applied in real time manufacturing in our PC unit manufacturing factories and in turn promotes the application and development of our technology. The regional production centers will serve as regional benchmark for our PC units manufacturing and provide technical support to the wholly-owned and joint factories in the region. As of April 30, 2019, we had established six regional production centers in provinces of Hunan, Zhejiang, Anhui, Jiangsu and Tianjin and Shanghai. We plan to complete the expansion of all six existing regional production centers by the end of 2020. Meanwhile, we will build new regional production centers in 14 cities which we believe have promising market potentials, and further enhance our leadership in the prefabricated construction industry in China by enlarging our production scale and profitability. All regional production centers are and will be wholly-owned by us. Among these new regional production centers, those in Wuhan, Jinan and Zhengzhou are intended to be built with the proceeds from the Global Offering.

When building new regional production centers, we intend to firstly build our technology centers which constitute an important part of our regional production centers if no factory has yet been established in that area. We plan to establish a nationwide technology network comprising 20 technology centers in China in the future, so that we are able to allocate our technological resources collectively and provide technological support to all of our wholly-owned and Joint Factories. As such, we will be able to provide our clients with integrated prefabricated construction solutions with higher quality.

Currently we have conducted preparation work such as local market research, feasibility study and location selection for the expansion and establishment of five regional production centers.

As of April 30, 2019, we had contracted to invest in 85 Joint Factories in various cities across China. We plan to further increase the number of the joint factories to realize a full coverage of major prefabricated construction markets in China with funds generated from our business operation and other financial resources available.

Upgrade our digital intelligent platform

We will continue to enhance our capability in research and development, upgrade our soft skills in intelligent manufacturing and forge our core competitiveness. Taking advantage of the intelligent design software of PC Maker I, we plan to continue to build our platform-level PC-CPS intelligent manufacturing management system by optimizing BIM design, construction standards and operational tools, and conducting research and development of artificial intelligent manufacturing systems.

We plan to build a self-serviced quick design platform for prefabricated building design to provide designers and design institutes with rapid design tools at various stages and in various disciplines, prefabricated design resources, and data interface standards for accessibility to manufacturing management systems and their conversion tools. We also plan to develop a project management system of virtual design to provide value-added services including online design project management, virtual team operations management and design optimization.

We have utilized "Internet +" to realize intelligent design and manufacturing of PC units through PC Maker I. We mainly use the data and information of BIM model to informationize the whole process and digitize our entire operation. We plan to establish a virtual PC factory operations management system and an intelligent construction site project management system to be integrated into the PC-CPS management system platform. Leveraging on the mass data and user base in various aspects of prefabricated construction, we also plan to create an online trading platform to direct and attract traffic of suppliers and potential cooperation platforms of component parts, construction materials, electrics and mechanical equipment, logistics and semi-finished products.

In addition, we plan to extend our business along upstream and downstream of the industry chain, establish an industry level massive data platform, and promote the full integration of the internet platform systems of the industry.

Continue to focus on strategic clients

We focus on developing clients who are among the top 50 real estate developers in China. Adhering to our philosophy of "Creating Value with Our Client", we plan to assist our target clients to optimize products and realize the effective integration of technologies and market. We also plan to provide services to the Joint Factories, promote project cooperation and establish a long-term systematic mechanism to ensure profitability.

We plan to establish a nationwide resource linkage and a customer response system, to provide customized comprehensive solutions of prefabricated construction to our customers, and provide all-round technology service and product support, so as to help our customers to quantify and control the progress of fund utilization and increase the turnover rate. Meanwhile, we believe that we are able to create an overall connection among the product demand of strategic clients, procurement demand of our projects in various locations and demand for information sharing, thus forming a client-reliance on multiple dimensions. In addition, we believe that we are able to adopt a nationwide layout strategy to achieve a rapid expansion in scale magnitude.

Expand in overseas markets

We plan to promote and export full fabricated villa products to certain developed countries and regions in, for instance, Europe, North America and Persian Gulf area. Full fabricated villa products can substantially reduce construction effort on-site and can be constructed in a more efficient, environmental-friendly and energy-saving manner as compared with traditional buildings. We believe that such products will create market demand as they are in line with the value orientation of the people in the developed countries and popular islands for tourists.

We plan to seize the opportunities brought by the Belt and Road Initiative to develop and build social housing in countries along the Belt and Road Initiative and other developing countries through exporting full sets of prefabricated building products and relevant construction management, technologies, equipment and services. We expect that the Belt and Road Initiative will bring a tide of fast growth opportunities in both infrastructure projects and livelihood projects of countries and regions along the relevant routes, thus driving urbanization demand and progress. Other developing countries are in the process of urbanization, as a result of which we believe that there will be continuous increase in demand for housing construction, including the demand for prefabricated buildings, in those countries and regions.

Based on our long-term experience, we have developed matured management, technology, equipment and service systems, and built a platform-level PC-CPS intelligent manufacturing management system, which are able to promote the transformation of construction industry from Industrialization 1.0 to 4.0. In the future, we intend to export full sets of prefabricated building products as well as full sets of management, technologies, equipment and service systems to target countries.

OUR PC UNIT MANUFACTURING BUSINESS

Overview

We provide customers with comprehensive solutions for prefabricated construction, including PC unit design, manufacturing and assembling consultation.

Different from the traditional construction method in which the contractors construct the buildings on site based on the architectural design, prefabricated construction adopts industrial method to manufacture the PC units specially designed based on initial architectural design at the factory and assemble the PC units on site. In order to build a prefabricated building, different types of PC units have to be designed and manufactured, including wall panels, floor slabs, staircases and beams, which are all in various shapes and specifications. Generally, for different buildings and/or projects, the shape and specifications of PC units used vary from buildings to buildings and/or projects to projects due to the difference in design. Therefore, the shape and specifications of PC units that we have to design and manufacture also vary by buildings and/or projects. This imposes high requirements for the mass production of PC units of different functions, different projects and different customization in one factory at the same time, especially for the management of such mass production.

Leveraging on over 20 years of experience of our founder and management team, we have developed an intelligent manufacturing management system, i.e. PC-CPS. PC-CPS has integrated all aspects of our PC manufacturing into one cyber system, where data and information is gathered and shared among different business functions. In PC-CPS, the operations are driven and conducted automatically by the system. As such, we are able to digitize our business operation, allocate production resources efficiently and optimize our production capacity to achieve mass production of PC units and supply to various customers for various projects based on the construction progress of each project. Empowered by our intelligent design system and flexible manufacturing process, which are both specially designed and developed for PC unit manufacturing, we believe our PC-CPS has upgraded our entire manufacturing process up to the standard of Industrialization 4.0, i.e. intelligent production.

According to the historical contract value entered into by us and the tenders awarded to us in 2016, 2017 and 2018 and the four months ended April 30, 2019, our PC units were used in buildings with a total floor area of 56.1 million sq.m.. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we entered into selling contracts and were awarded tenders to sell approximately 0.4 million cubic meters, 0.5 million cubic meters, 1.6 million cubic meters and 0.3 million cubic meters of PC units respectively.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we generated revenue from PC unit manufacturing business of RMB441.9 million, RMB891.2 million, RMB854.3 million and RMB350.7 million respectively, representing 26.4%, 46.0%, 37.7% and 54.3% of our total revenue in the same periods. Gross profit from our PC unit manufacturing business was RMB177.6 million, RMB284.5 million, RMB203.6 million and RMB71.8 million, respectively, representing 29.5%, 40.4%, 28.1% and 44.1% of our total gross profit in the same periods.

Product Design

Product design is the key of our PC unit manufacturing. It requires the application of structure engineering technology, electromechanical engineering technology and materials science to realize the architecture design in the form of PC units under different specifications. More importantly, the manufacturing process and assembling process of these PC units designed shall also be taken into consideration at the design stage. Thus, the manufacturing craft, assembling and construction technology are also required for product design.

We have collected massive data from over 1,000 prefabricated construction projects which we have participated in over the years. We upload each of our product design to our database to form the basis and precedent for future design. As a result, the time and accuracy for the future design can be continuously optimized along with enlarging data base and increasing number of precedents. Based on this massive database, we developed PC Maker I to integrate the design process which transforms the architecture design to industrial manufactory design. We also have a strong design team capable of understanding the needs of clients and the architecture designs, so that they can proficiently input data to PC Maker I to complete the design, interpret the design to our clients and adjust any design based on the clients' request. With our design software and team support, we are able to attract our customers with accurate and cost-saving product design and, more importantly, lay the solid foundation for our efficient and automatically managed manufacturing process at later stages.

PC Maker I

PC Maker I is a building information modeling (BIM) software developed for the design of prefabricated buildings. PC Maker I (V.1.1) was developed by us. We own its copyright and it is currently sold by us in the market. In order to further upgrade and develop the functions of PC Maker I, we cooperate with China Academy of Building Research Co., Ltd.* (the "**China Academy of Building Research**") to develop PC Maker I (V.2.0). Any research results and rights derived therefrom will be shared between us and China Academy of Building Research pursuant to our agreement. Based on the architecture design provided by clients, our design team can use PC Maker I to design the PC units required for the building, including the shape, sizes, joints, layers and interior structure of such PC units. PC Maker I implements the latest BIM development and software engineering technology, imports the latest architectural standards and industry design standards, and embeds the technology and massive data we accumulated in prefabricated construction industry. Engineers will be able to manage, adjust and modify the PC design easily through working on a visualized three dimensional data model. Different from other BIM software, PC Maker I is a forward design software specially developed for prefabricated building, which is able to take into full account (i) the production technology of industrialized manufacturing; (ii) the capacity of transportation and lifting; and (iii) the order and feasibility of assembling, so that it can design the PC units in a more efficient and practical way and reduce the difficulties in the manufacturing and assembling process. Moreover, PC Maker I can also output data which can be further used in later manufacturing process.

The detailed functions of PC Maker I include:

- establishing building information model: the building information model is established based on the architecture design and specifications provided by the client;
- establishing PC unit models: the established building information model is disassembled to form the PC unit information model. It is the core of PC Maker I which involves sophisticated computation of various data, such as (i) prefabricated ratio (calculated as dividing the volume/quantity/floor area of prefabricated components by the total volume/quantity/floor area of concrete structure in a building) required for the building; (ii) the compatibility with the building information model in terms of the actual appearance, structure and the function; and (iii) the feasibility for manufacturing, assembling and construction;
- simulating the construction of building to test the design;
- generating drawings, including structural construction drawings of buildings and detailed drawings of each PC unit; and
- compiling information of the designed PC units and generating the checklist of data which forms the basis of other manufacturing process, including procurement, production, assembling and construction, logistics, financial budgeting and marketing.

With the assistance of PC Maker I, our product design process has presented significant advantages over traditional design process. For example, according to our internal calculation, the time required for generating the detailed drawings of PC units is significantly shortened from approximately 16 days in traditional design process to approximately two days after the completion of architectural drawings with the assistance of PC Maker I; and the average accuracy rate (calculated by the proportionate of accurate drawings which can be used in manufacturing process without correction in over 20,000 drawings) of our PC unit drawings reaches 99%. With enhanced efficiency of our design process and increased accuracy of our design, we are able to attract clients and effectively control the cost of the design process and the subsequent manufacturing process.

Design Team

We have a professional design team comprising of two design institutes: Product Design Institute and Architectural Research and Design Institute. Our Product Design Institute mainly focuses on enhanced product design for the project of our client. Product Design Institute has its members stationed in each of our PC factories. We believe that the design team is the first stop to serve our clients, and getting close to our clients is the key to understand the needs of our clients and maintain a good client relationship. Each local design team is capable of designing the PC units for the local projects independently by using PC Maker I. With the assistance of PC Maker I, we are able to maintain a consistent quality of our product design among our local design teams across regions. The Architectural Research and Design Institute focuses on the development and upgrading of our design software and also provides technical supports to the Product Design Institute for any issues occurred during their design process.

Through years of effort, we have established a team of architectural design and PC unit design experts that are well recognized in the industry for their experience and design capabilities. As of April 30, 2019, our design team had 147 members, with an average experience of five years in the field of prefabricated construction, and 20 of such members hold master or above degrees.

Manufacturing Process

The manufacturing process of our PC units usually includes the following four major steps:

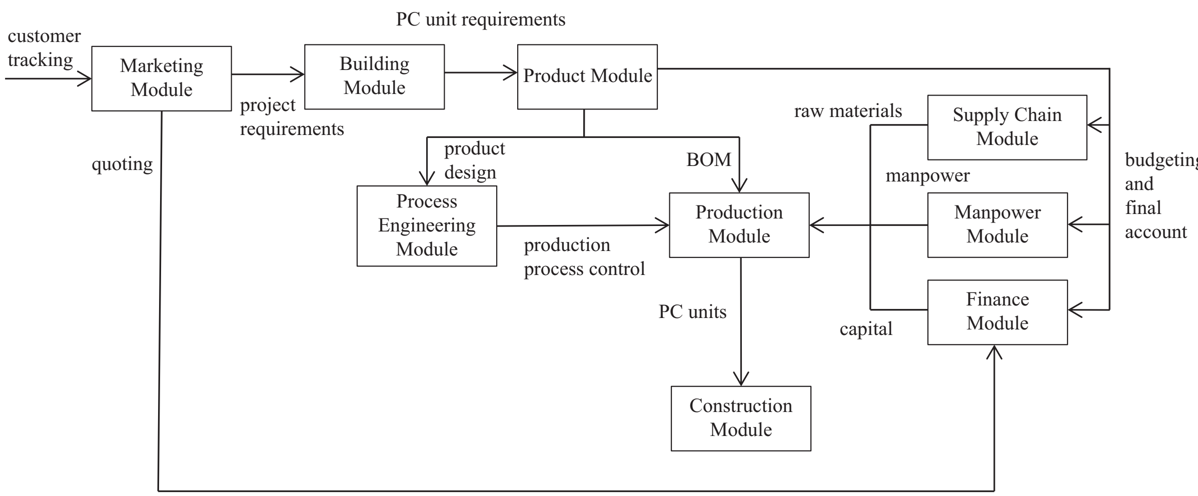
(1) mould setting → (2) rebar arrangement → (3) spreading, casting, vibrating and curing → (4) demoulding

Procedures	Description
mould setting	to clean up the trolley, install and fix the mould
rebar arrangement	to install the rebar, water and electricity pipes and other embedded component in the mould
spreading, casting, vibrating and curing	to spread concrete in the mould, vibrate the concrete, treat and cure the concrete in the mould
demoulding	to demould and clean the mould, load the mould into the warehouse and hoist the panel to the assigned storage location

It takes eight to 24 hours to complete the production of one batch of PC units from mould setting to demoulding. We produce a large quantity of PC units in one batch. For our production capacity, please refer to the section headed "—Production Facilities, Capacity and Utilization".

PC-CPS

We have developed the unique intelligent manufacturing management system (i.e. PC-CPS) in China that makes the mass production of customized products based on massive market demand possible. PC-CPS, a data-driven system, is comprised of nine modules including: marketing module, building module, product module, process engineering module, production module, supply chain module, manpower module, finance module and construction module. Each module corresponds to a business function that in aggregate covers the entire process of our business operation. The following charts illustrate the connection and interaction among nine modules:



PC-CPS is a comprehensive process which generally flows as follows:

- PC-CPS tracks the activities of the marketing team in marketing module, including client visiting activities. Through the marketing module, we are able to manage our relationship and contracts with our clients, as well as provide customer services and manage our sales team. We have established a database of our clients in the marketing module, where we can obtain information of the clients and help our sales team to maintain a long-term and close relationship with these clients.

  Once a client has indicated its intention to do business with us, the sales team will record it in the marketing module. A project is then set up in the marketing module. The preliminary information of the project is fed into marketing module, and flows automatically to the building module and product module, where a preliminary design is formed for the purpose of quotation, and finance module, where the relevant financial data, including cost and prices, are taken into account in the formulation of the quotation for the project. As such, our marketing team may engage further negotiation with our client and attend bidding process.

- After the project is confirmed, a contract is entered into with our client. The drafted contract is automatically generated once relevant terms and information of the project are fed into the marketing module and the agreed contract terms are embedded in the marketing module. As such, we are able to manage the contracts entered into by each PC factory in a centralized way.

  Further information of the project is fed into the building module and product module for design by using our PC Maker I. The building module then designs the building as a whole and the product module designs the PC units in detail. When PC Maker I is performing design work, other modules may start to prepare for production (such as raw material procurement, human resources, fund and factory production planning).

- After the products are designed through PC Maker I, a checklist of all raw materials and manpower required for manufactory is generated.

  The supply chain module uses the checklist as a starting point of our procurement process. The supply chain module has set up a portal which can be accessed by the suppliers. We invite suppliers to register in this portal where we can manage them and build up our supplier pool. We check basic qualification and conduct regular review of our suppliers in the supply chain module.

  The procurement process, including bidding, cost control, and delivery schedule, is also managed through the supply chain module. We publish information of our demand for raw materials in the portal of the supply chain module where qualified suppliers may gain access to. They can provide their quotation in the bidding process through the system.

  After the agreement with the supplier is entered into, the system will automatically refer such purchase to the production module where delivery of the raw material can be automatically triggered based on production progress. Once the delivery is made and the purchase is completed, the system will automatically refer the data in relation to the purchase to the financial module for settlement.

  The manpower checklist is fed into in the manpower module, allowing the human resources department to carry out human resource planning to ensure that the production is equipped with sufficient qualified human resources.

- The key of our PC-CPS is the production module. Before production, the process engineering module will produce a control list of the complete production process of PC units according to the PC unit design in the product module, and input such production process into the production module to guide the entire production process.

  In the production module, our manufacturing process is automatically driven by the demand of our clients and conducted based on the construction process at site.

  We apply internet of things (i.e. IoT) technology in our PC-CPS. Each PC unit has its unique QR code, which presents the project it belongs to, its size, function, and the position. By scanning the QR code, workers at the construction site will obtain those detailed information. More importantly, this information is automatically transmitted to the production module to notify our factory of the construction progress of the project. Based on such information, the PC-CPS will be automatically triggered to arrange the manufacturing work for the next step. For instance, once the QR code of a PC floor is scanned on site (which means the PC floor is assembled/to be assembled on site), the PC-CPS will be notified and drive the warehouse for finished products to deliver the next batch of the PC units. When the QR code is scanned at the time of outbound delivery at the warehouse for finished products, PC-CPS will be notified and arrange for the production of façade and/or horizontal panels (which are the next PC units to be assembled on site) in the production module. When the QR code is scanned on the production line, the PC-CPS will drive the warehouse for semi-finished products for the delivery of the semi-finished products. In the meantime, the supply chain module is also triggered to arrange for raw materials delivery according to the stock level and delivery cycle of raw materials. As such, we are capable of minimizing our inventory of finished products and raw materials as well as increasing our production efficiency.

As our manufacturing is intelligently arranged by production module, our factory is capable of producing and supplying PC units for various projects in different stages in which different design of the PC units are involved.

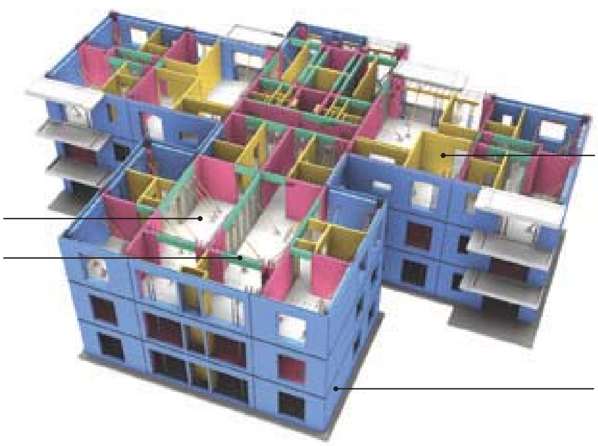
- After the manufacturing is completed, the construction module will arrange transportation and logistics for the PC units according to the product data input from the production model, and generate installation instructions for the PC units for use on the construction site. The accounting and settlement will then be conducted in the finance module. Based on the data transmitted from the marketing module, supply chain module and production module, the finance module calculates the actual cost of human resources and materials used in the manufacturing and prepares for settlement. The marketing module and supply chain module are then activated to assist on timely settlement, while the production module will review the productivity of the manufacturing.

In PC-CPS, we are able to realize real-time monitoring on the operation process, such as total contract value, production efficiency, progress of procurement, manufacturing, transportation and delivery, status of equipment and utilization. After adopting PC-CPS, our production management efficiency increases significantly and the costs of production management decrease significantly. For details of the effects of our PC-CPS on improvement of operational efficiency and reduction of manufacturing expenses, please refer to the section headed "—Our Competitive Strengths—We are the first to utilize the whole-process digitized information system in the prefabricated construction industry in China to realize the intelligent manufacturing driven by massive data".

PC Unit Products

We provide comprehensive solutions to prefabricated construction, which comprise PC unit design, manufacturing, and assembling consultation. Our products are designed and tailor-made based on the actual requirements (such as prefabricated ratio) of each project. The PC units we manufacture are assembled and constructed into buildings and infrastructure in various structures, appearances and functions. Below sets forth our current portfolio of major products differentiated by structure and function:

- *Mid to high-rise prefabricated buildings:* taking the sixth generation as an example, our PC unit products (including precast wall panels, precast composite floor slabs and precast composite beams) are used to form the non-bearing walls and part of the bearing walls, floors and beams of the building.



* *For illustration purposes*

- *Fully prefabricated building:* multi-story building, the major structure (including both bearing and non-bearing structure) of which can be assembled entirely by using our PC unit products

* *For illustration purposes*

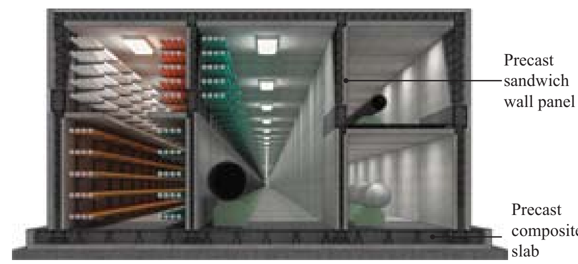
- *Fully prefabricated villa:* villa, the major structure (including both bearing and non-bearing structure) of which can be assembled entirely by using our PC unit products

* *For illustration purposes*

- *Prefabricated basement:* basement assembled by using our PC unit products (including precast sandwich panel and precast composite slab) to form the basement's base plate and retaining walls

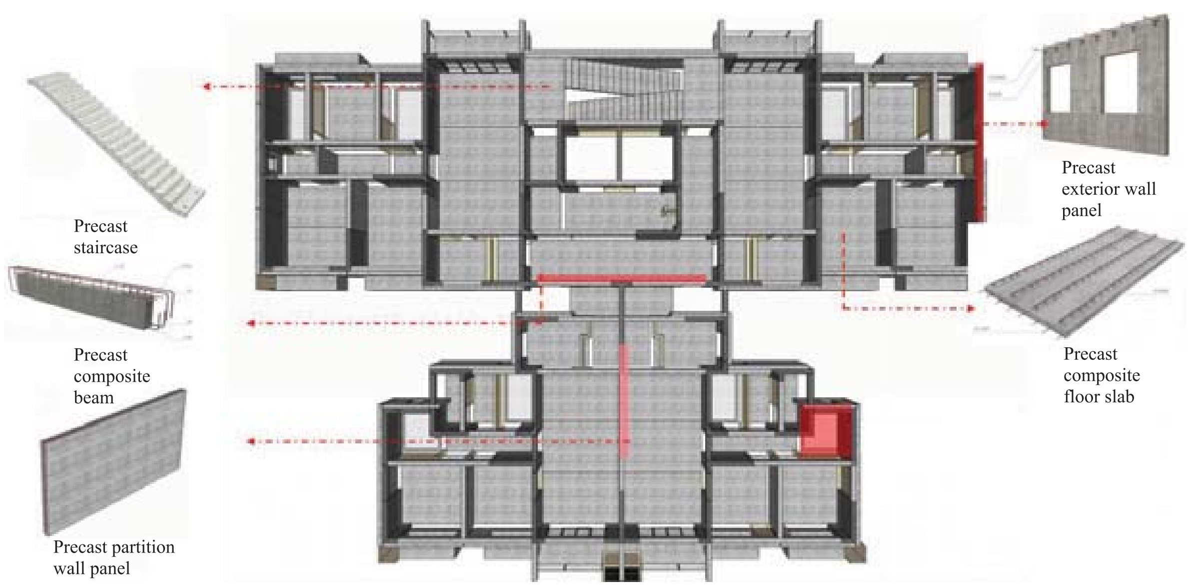
- *Prefabricated utility tunnel:* utility tunnel assembled by using our PC unit products (including precast sandwich wall panel and precast composite slab) to form the tunnel's bottom, top and walls

* *For illustration purposes*

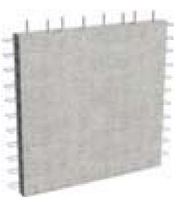


* *For illustration purposes*

We manufacture PC units in different shapes and specifications for assembling and construction into buildings and infrastructure with different designs. Below is an illustration of some of our PC unit products used in a building and their respective installation positions.



Based on the different shapes, our major products can be roughly divided into following types, which, in combination, can be assembled into buildings and structures:

	Type	Description
  	Vertical panel	Vertical panels are reinforced concrete panels which are assembled vertically as walls of a building. The vertical panels may function as bearing walls or non-load bearing walls after assembling. The types of vertical panel mainly include: precast sandwich thermal insulation shear wall panel, precast sandwich thermal insulation exterior wall panel, precast interior wall panel, precast partition wall panel and others. The sandwich panels have two layers of steel concrete wall panels with or without light and efficient thermal insulation materials in the middle, being connected by special connecting components. According to different designs, spaces for doors and windows can be reserved on the vertical panels, and parts such as sockets, switch boxes and water and electricity pipes can be embedded in the vertical panels. The vertical panels can be connected to the floor slabs and/or beams at reserved joints. The construction workers use special construction craft to assemble the vertical panels with horizontal slabs and/or other components on the construction site.
  	Horizontal slab	Horizontal slabs are reinforced concrete slabs which will be assembled horizontally as floors of a building. The types of horizontal slabs mainly include precast composite floor slab, precast air conditioner slab and precast composite beam. According to different designs, parts such as reinforcing meshes and bottom cases can be embedded in the precast composite floor slabs. The horizontal slabs can be connected to the vertical panels and other components at reserved joints. The construction workers use special construction craft to assemble the horizontal slabs with vertical panels and/or other components on the construction site.

Type	Description
Other components	Other components, such as precast staircase, can also be manufactured with rebar and concrete. They form staircases and other parts in a building after assembling. Special construction techniques used in the manufacturing process include: • the use of PE film to create a rough surface of the components; and • the use of magnetic iron mould compatible with different steel bench vehicles to achieve flexible manufacturing The components can be connected to vertical panels, horizontal slabs and other components at reserved joints. The construction workers assemble the components with panels, slabs and other components on the construction site.

The price of our PC units is subject to the prices of raw materials and the demand of local market, and thus it varies by regions. For the years ended December 31, 2016, 2017 and 2018, the range of average unit price of the PC units[Note] sold by our wholly-owned factories in different regions in the PRC are RMB2,100 to RMB3,102 per cubic meter, RMB2,318 to RMB3,200 per cubic meter, RMB2,377 to RMB3,736 per cubic meter, respectively. The general increase of the average unit price of our PC units during the Track Record Period was primarily due to the increase in prices of raw materials and market demands. The widened range of our selling prices of PC units from 2017 to 2018 was primarily attributable to the significant increase in our selling prices of PC units in Tianjin as a result of (i) the significant increase of raw materials costs in Tianjin and, to a lesser extent, (ii) the upward adjustment of the market guidance prices of PC units in Beijing, which is the primary market of our PC units manufactured in Tianjin. For more details, please refer to the section headed "—Sales and Marketing—Pricing".

Production Equipment

We have established an intelligent manufacturing system supported by our PC production technologies and complete sets of equipment, of which we own intellectual property rights. Our flexible manufacturing system is equipped with equipment specially designed and developed by us for the purpose of manufacturing PC units. Each of our production lines can produce various PC unit products. Currently, we have updated the design of our equipment according to our latest technologies. With such equipment, we can apply IoT technology to collect data and monitor our equipment and production process, and realize informationized management and operation in our production. For more details of the equipment of our production lines, please refer to the section headed "—Our PC Equipment Manufacturing Business—Products and Services".

Production Facilities, Capacity and Utilization

As of April 30, 2019, we had 15 wholly-owned PC factories with 55.5 production lines for PC units. We have seven factories (one factory was still under construction) located in Central China Region, one factory in Beijing-Tianjin-Hebei Region, six factories in Yangtze River Delta Region and one factory in Pearl River Delta Region. The locations of our wholly-owned PC factories are either in

Note: calculated based on the PC units sales contracts entered into for the indicated period.

or in the vicinity areas of (normally within an economic transportation radius of 150 km) the major cities or provincial capital cities. We chose such locations as we believe the urban development of these cities will generate large market potential and demand of our products. For the geographic location of our wholly-owned PC factories as of April 30, 2019, please refer to the map on the front page of this prospectus headed “Locations of our wholly-owned factories and Joint Factories”.

The table below sets forth details of our wholly-owned factories:

Factory	Site area (sq.m.)	Commencement of Operations	Production Facility Detail	Annual Production Capacity [Note 1] (in thousand m^3) 2016	2017	2018	Four months ended April 30, 2019	Capacity Utilization Rate [Note 2] (%) 2016	2017	2018	Four months ended April 30, 2019
Central China Region											
Hunan Changsha Lugu Factory Phase II* (湖南長沙麓谷二期工廠)	96,990	June 2015	• five precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center • one components production line • one aluminum alloy door and window machining center	150	150	150	150	33.8 [Note 3]	29.8 [Note 3]	6.2 [Note 3&5]	15.3 [Note 3]
Hunan Changsha Lugu Factory Phase I* (湖南長沙麓谷一期工廠)	49,488	April 2012	• four precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	120	120	120	120	33.8 [Note 3]	29.8 [Note 3]	6.2 [Note 3&5]	15.3 [Note 3]
Hunan Xiangtan Factory (湖南湘潭工廠)	48,934	July 2011	• three precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	90	90	90	90	30.7	19.8	14.6	15.4

Factory	Site area (sq.m.)	Commencement of Operations	Production Facility Detail	Annual Production Capacity [Note 1] (in thousand m³)				Capacity Utilization Rate [Note 2] (%)			
				2016	2017	2018	Four months ended April 30, 2019	2016	2017	2018	Four months ended April 30, 2019
Hunan Yueyang Factory (湖南岳陽工廠)	48,879	June 2012	• three precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	90	90	90	90	12.9	12.5	15.3	24.6
Hunan Ningxiang Factory (湖南寧鄉工廠)	46,238	October 2010	• two precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	60	60	60	60	49.5	21.4	1.6 [Note 5]	— [Note 5]
Hunan Chenzhou Factory (湖南郴州工廠)	22,821	June 2014	• three precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	60	60	60	90	23.0	35.4	4.5 [Note 5]	2.5 [Note 5]
Hubei Wuhan Factory (湖北武漢工廠) [Note 7]	82,326	Expected in April 2020	— [Note 7]	—	—	—	—	—	—	—	—
Beijing-Tianjin-Hebei Region											
Tianjin Factory* (天津工廠)	173,003	May 2014	• five [Note 8] precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	120	180	180	150 [Note 8]	22.3	42.3	15.2 [Note 5]	56.6

Factory	Site area (sq.m.)	Commencement of Operations	Production Facility Detail	Annual Production Capacity Note 1 (in thousand m³)				Capacity Utilization Rate Note 2 (%)			
				2016	2017	2018	Four months ended April 30, 2019	2016	2017	2018	Four months ended April 30, 2019
Yangtze River Delta Region											
Zhejiang Hangzhou Factory* (浙江杭州工廠)	133,333	February 2015	• ten precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	120	180	300	300	23.0	33.9	22.6	29.3
Shanghai Factory* (上海工廠)	16,208	April 2017	• three and a half precast concrete production lines Note 4 • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	15	105	105	105	25.7	29.1	31.2	52.5
Jiangsu Liyang Factory* (江蘇溧陽工廠)	20,287	June 2012	• three precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	90	90	90	90	0.4	28.1	25.1	23.4
Anhui Hefei Factory* (安徽合肥工廠)	79,652	February 2013	• six precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	150	180	180	180	29.5	18.5	19.1	23.0

Factory	Site area (sq.m.)	Commencement of Operations	Production Facility Detail	Annual Production Capacity [Note 1] (in thousand m^3)				Capacity Utilization Rate [Note 2] (%)			
				2016	2017	2018	Four months ended April 30, 2019	2016	2017	2018	Four months ended April 30, 2019
Anhui Fuyang Factory (安徽阜陽工廠)	20,160	December 2016	• four precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	120	120	120	120	19.4	34.4	15.1	6.0[Note 5]
Anhui Lu'an Factory (安徽六安工廠)	31,339	July 2017	• three precast concrete production lines • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	—	90	90	90	nil	12.0	36.5	42.4
Pearl River Delta Region											
Guangdong Guangzhou Factory[Note 6] (廣東廣州工廠)	16,066	October 2015	• one precast concrete production line • one automated rebar processing line • one mixing station center • one mold processing center • one materials storage and distribution center	30	30	30	30	10.7	16.4	22.6	0.4
Total	**885,724**	—	—	**1,215**	**1,545**	**1,665**	**1,665**	**25.8**	**27.6**	**17.4**	**24.9**

Notes:

* indicate the regional centers, i.e. Changsha, Tianjin, Hangzhou, Shanghai, Nanjing (Liyang) and Hefei.

(1) The annual production capacity refers to the designed maximum production capacity assuming each production line produces 100 cubic meters a day in 300 days per year. It is a comprehensive estimation after taking into account the production time for each PC unit and the capacity of production facilities (including trolleys and mixing plants) and storage capacity. The annual production capacity for the four months ended April 30, 2019 is calculated on annualized basis.

(2) The utilization rate for the years ended December 31, 2016, 2017 and 2018 is calculated as dividing the volume of PC unit produced in that year by the production capacity per annum. The utilization rate for the four months ended April 30, 2019 is calculated as dividing the volume of PC unit produced in the period by the production capacity in the period. The production capacity for the four months ended April 30, 2019 is calculated as dividing the annual production capacity by three.

(3) The utilization rates of Lugu Factory Phase I and Lugu Factory Phase II (collectively, "Lugu Factory") are calculated as dividing the total volume of PC unit produced by Lugu Factory in that year/period by the total production capacity of Lugu Factory during the same year/period.

(4) The half production line refers to a fix production line, the capacity of which is lower than our standard production line due to the fact that it cannot be automatically connected to other production lines through our internal production circulatory system.

(5) The utilization rates of these factories decreased significantly, primarily due to the fact that we completed the supplying of PC units to certain projects but have not yet started to supply for new projects for which we had already entered into the contracts.

(6) During the four months ended April 30, 2019, our Guangzhou Factory was moving to a new location in Huizhou, Guangdong Province and thus the production of our Guangzhou Factory was temporarily suspended. As of April 30, 2019, the move was completed and our Guangzhou Factory was in the process of production line installment.

(7) As of the Latest Practicable Date, our wholly-owned factory in Wuhan, Hubei Province was still under construction. Its expected annual production capacity is 240,000 cubic meters.

(8) During the four months ended April 30, 2019, Tianjin Factory demolished one production line for capacity expansion purpose. Such production line will be re-installed in the second half of 2019. Therefore, the production capacity of Tianjin Factory reduced for the four months ended April 30, 2019.

In 2016, 2017 and 2018 and the four months ended April 30, 2019, the annual capacity of our PC unit production line was 1,215,000 cubic meters, 1,545,000 cubic meters, 1,665,000 cubic meters and 1,665,000 cubic meters (on annualized basis), respectively. The average utilization rate of our PC production lines is approximately 25.8%, 27.6%, 17.4% and 24.9% for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, respectively. The utilization rate of our production lines is affected by the scale of local market and the demand for PC units according to the construction progress of the projects. In particular, the production lines in the Northern China Region are affected by the seasonality, and their utilization rate may fall below 10% in winter months (from December to March). For reasons of the seasonality, please refer to the section headed "—Seasonality". We expect that the prefabricated construction industry scales will experience explosive growth in near future, in light of which we have provided buffers for production capacities when designing and investing in our PC production lines to accommodate such market demand. With the growth of industry scales and market demand, we expect that the utilization rate of PC production lines may increase significantly in 2019. However, due to the seasonality effect of our business, the general utilization rate of our PC production lines for the four months ended April 30, 2019 remained at the similar level of 2018. Based on our backlog (the contract value of products or services that remain to be completed as of a certain date) as of December 31, 2018, and without considering new contracts to be entered into, we estimate that the utilization rate of our PC production lines will reach 60% to 80% in 2019 on average without taking into account the increased production capacity of production facilities in 2019 as a result of our business expansion. The above estimation is made based on the total volume of PC units (i.e. 1,006,312 cubic meters to 1,341,750 cubic meters based on the range of average unit price of PC units in different regions in the PRC in 2018) to be produced under our backlog for the PC unit manufacturing business as of December 31, 2018 (amounted to RMB3,220.2 million) and our annual production capacity of 1,665,000 cubic meters for the year ended December 31, 2018, assuming all of the backlog contracts are performed in accordance with its terms within 2019. We anticipate that our production capacity of the production facilities will increase to 1,935,000 cubic meters by the end of 2019. If we take into account the increased production capacity (assuming other variables remain constant), we estimate that the utilization rate of our PC production lines will reach 52% to 69% in 2019 using the abovementioned total volume of PC units based on our backlog for the PC unit manufacturing business as of December 31, 2018, assuming that all of the backlog contracts are performed in accordance with its terms within 2019. For the growth trend of the industry, please refer to the section headed "Industry Overview".

We conduct repair and maintenance checks on the production lines on a regular basis. In addition to daily maintenance checks, we carry out maintenance inspections weekly and monthly without interruption of our production. For inspections that take up longer time, we may need to stop running the equipment for a day or two. However, we normally do not halt the entire production line for such inspections. During the Track Record Period, we did not incur any material production suspension due to equipment failure.

We also regularly upgrade our production equipment to enhance its function and/or efficiency. Unlike a replacement, the equipment upgrade normally does not interrupt our production.

Broad Homes United Program

Overview

In the PC industry, due to the economic transportation radius of 150 km of a PC factory, it requires a widespread network of PC factories across the country in order to support the business growth and capture the growth of various local markets. However, establishing and constructing a PC factory requires substantial amount of capital commitment and hence it imposes even greater capital challenge to establish a PC factory network nationwide to capture the various local market growth. In order to rapidly capture the market growth and take advantage of the booming development of the industry, we innovated and initiated Broad Homes United Program as one engine of our dual-engine driven model combining wholly-owned and joint factories. Broad Homes United Program allows us to expand our footprint across the country through limited capital contribution. We customized Broad Homes United Program according to our operation, growth plan and industry development, which is in the process of development and perfection. Under this program, we cooperate with selective local partners, who are the JF Partners, to set up the Joint Factories. We sell equipment and provide various services to the Joint Factories to manufacture PC units in the regions in our view with less scalable market than the market where our wholly-owned factories are located in, as well as promote our production and management system for PC unit manufacturing. We believe through Broad Homes United Program, we, in particular our production and management system, are able to penetrate into those potential markets and gain advantages as an early mover before the markets boom. In addition, since the Joint Factories adopt similar operation management system and equipment in the manufacturing of the PC units as those of our wholly-owned factories, we are able to promote our management system and exert our influence in the industry with a view to lead the development of construction industrialization. Thanks to our well-recognized brand and prestigious reputation in the industry, large real-estate developers, construction companies, design institutes and government investment vehicles are inclined to contact us to discuss about the participation in our Broad Homes United Program.

Selection of Target Market

When choosing the target areas of the Joint Factories, we normally take into account:

(i) the total economic volume, population, level of urban development, market size of real estate development and construction industry of the target market;

(ii) the awareness, level of attention and support of the local government and administrative authority of construction industry; and

(iii) the availability of qualified JF Partners, who shall well recognize our brand and have a will to cooperate with us.

Selection of JF Partners

We choose our JF Partners selectively. We expect our JF Partners to have access to stable market demand for construction industrialization or high quality market resources together with strong market development capabilities and financial strength. They shall also (i) share our vision towards the prospects of construction industrialization; and (ii) share our value of "No Speculation and Upholding Integrity".

Our investment and cooperation center is responsible for approaching potential partners and initiating preliminary negotiation with them. Different standards have been formulated based on the types of companies for assessing the potential partners. For example, in case of construction companies, in general they shall have a qualification of second-grade or above for construction contracting; and in case of investment companies, in general their registered capital shall exceed RMB20 million. After reviewing the quality of the partners, the regional managers of our investment and cooperation center will determine whether to proceed with further negotiation. After the approval of general manager of our investment and cooperation center, the investment and cooperation center will negotiate with the potential partners and enter into agreements with them.

Leveraging on Broad Homes United Program, we are able to convert potential market competitors to business partners. The major purpose for the investment in the Joint Factories is not only to realize investment returns but also to quickly capture the local market with limited capital commitment at the early stage of the market development and promote the management system for PC unit manufacturing.

As of April 30, 2019, we had 158 JF Partners, including 75 government investment vehicles and 83 companies related to the prefabricated construction industry. Out of these 83 companies, 37 were construction companies, seven were new materials companies, six were real estate developers, four were design institutes and the remaining 29 were other companies such as construction materials companies and environment protection related companies. The government investment vehicles are usually controlled or invested by local government agencies to facilitate the local development plans. We strategically engage government investment vehicles for the following reasons:

(i) local governments are shareholders or promoters of the government investment vehicles. Leveraging on the involvement and participation of the government investment vehicles in the Joint Factories, such Joint Factories would be able to have better understanding of local policies and standards of government-funded projects, and thus are in a better position to acquire project information and become more competitive in satisfying the bidding requirements of such projects;

(ii) the government investment vehicles, which are controlled or invested by local governments, usually have access to local land and property resources and therefore may provide or help the Joint Factories to obtain land and plant resources for the construction of the Joint Factories; and

(iii) due to their close connection with local governments, the government investment vehicles may use their knowledge and experience in the prefabricated construction industry obtained during the course of cooperation with us to participate in the formulation of local industry standards, which may further benefit the Joint Factories and promote the business and products of us and the Joint Factories.

As of April 30, 2019, we had contracted to invest in 85 Joint Factories and signed the equipment purchase agreements of 267 production lines. The table below sets forth details of the JF Partners:

Categories of JF Partners	Number of JF Partners	Range of Percentage of Equity Interest in the Joint Factories	Specific contribution to the operation and management of the Joint Factories Note
Government Investment Vehicles	75	2.5%-65%	①,③,④,⑤
Construction Companies	37	2%-82%	①,③,④,⑤
New Material Companies	7	10%-67%	②,④,⑤
Real Estate Developers	6	12%-75%	①,③,④,⑤
Design Institutes	4	1%-10%	②,④,⑤
Others	29	10%-68%	
Total	**158**	—	—

Notes:

①. Provision of financing channels, such as borrowings.

②. Technological cooperation and development of new products and patents.

③. Provision of land and facilities resources.

④. Recommendation of clients and projects resources.

⑤. Local marketing resources.

As of the Latest Practicable Date, all of our JF Partners are Independent Third Parties. In 2016, 2017 and 2018 and the four months ended April 30, 2019, two, four, 11 and four JF Partners were also our customers, respectively, from whom we generated a revenue of RMB92.7 million, RMB33.1 million, RMB18.7 million and RMB26.4 million, respectively, excluding the sale of PC equipment by us to a Joint Factory which is also a partner of other joint factories. We provided materials, PC units and PC design services to those JF Partners. For one JF Partner, we acted as the general contractor for the governmental housing project in Yumazhuang, Yiyang, Hunan Province (湖南省益陽市玉馬莊) of such JF Partner and recorded a revenue of RMB88.4 million, RMB27.2 million, RMB10.1 million and RMB23.6 million in 2016, 2017 and 2018 and the four months ended April 30, 2019, respectively. Save as disclosed herein, none of the other JF Partners is our supplier or customer during the Track Record Period.

Arrangement with the JF Partners

We usually hold 35% equity interest in the Joint Factories; thus they are not our subsidiaries. Depending on the registered capital of each Joint Factory, our investment in a Joint Factory normally ranges from RMB21 million to RMB42 million. We do not control the management of the Joint Factories. Please refer to the section headed "Risk Factors—We may not realize expected investment return or suffer loss with respect to our investment in the joint factories" for more details.

The major terms of the joint venture agreements and the articles of association of the Joint Factories include, among other terms:

- the JF Partners and we shall jointly select the specific location of the Joint Factory within an agreed region;
- we are entitled to appoint director(s) in the board of directors of the level one Joint Factories according to our shareholding in the Joint Factories. For details of our level one and level two Joint Factories, please see "—Development of the 'Two-level Management Strategy' on Our Portfolio of Joint Factories."
- we shall provide systematic services to the Joint Factory to facilitate the management of its business during the establishment, including the design of factory layout, training for management personnel and workers, and the establishment of manufacturing management system, quality control system, cost control system, market management system and other operational systems. We can also provide guidance and support on technology and management during the operation and other consultation services at market price;
- we shall sell, and the Joint Factories shall purchase the PC unit production lines developed by us at market price;
- we shall authorize the Joint Factories to use our intellectual property in relation to the PC unit products of the Joint Factories;
- the JF Partners are responsible for the marketing of PC units in the local market and the coordination with local competent authorities;
- the profits of the Joint Factories are shared by the JF Partners and us pursuant to the respective shareholding in the Joint Factories;
- the shareholders of the Joint Factories enjoy the right of first refusal under the circumstances of share transfer; and

- the non-defaulting party may terminate the agreement if there is any material breach of agreement.

Unanimous approval from all shareholders of the Joint Factories is required for certain issues that may have a material impact on the operation and financial position of the Joint Factories, such as issuance of bonds, provision of financing or guarantee/mortgage/pledge to a third party by the Joint Factory.

Based on the following, the Directors are of the view, and the Joint Sponsors concur, that the transactions with the JF Partners were conducted under normal commercial terms:

- the terms and conditions of the joint venture agreements were determined after arm's length negotiation among us and the JF Partners; and all of the JF Partners are Independent Third Parties;
- over 80 joint venture agreements have been entered into among us and more than 150 JF Partners, which include government investment vehicles, construction companies, real estate developers, design institutes and other types of companies all over China, and some of these JF Partners are well-known market players; the major terms and conditions in relation to the establishment of a Joint Factory and the sale of PC equipment that we entered into with these JF Partners are similar and have been broadly recognized and agreed by the JF Partners who have different background and locate in different regions in China; and
- the price of the PC equipment sold by us is market comparable. Please refer to the section headed "—Our PC Equipment Manufacturing Business—Overview" for more details.

Joint Factories

We sell PC equipment to the Joint Factories pursuant to the joint venture agreement. We also enter into a separate PC equipment contract with Joint Factories, pursuant to which we provide services including installation, debugging and after-sales services as well as production management training. In order to facilitate the performance of Joint Factories and their PC unit manufacturing and management, we can also provide our PC-CPS system and services to them. For more details, please refer to the section headed "—Our PC Equipment Manufacturing Business". As of April 30, 2019, not all of the Joint Factories had adopted PC-CPS and only 17 Joint Factories had installed all the modules of PC-CPS which were able to generate data of the Joint Factories, such as production capacity and production volume. The data available from PC-CPS usually includes client information, project information, process plan, manufacturing information and procurement information.

As of April 30, 2019, we had contracted to invest in 85 Joint Factories, among which we had made capital contribution (in part or in full) to 60 Joint Factories. Out of such 85 Joint Factories, 47 Joint Factories with 196 production lines were capable of commencing commercial production. These 85 Joint Factories are located in 79 cities in the PRC. Among these 47 Joint Factories, 42 Joint Factories with 177 production lines had already commenced production as of April 30, 2019. For the geographic location of the Joint Factories as of April 30, 2019, please refer to the map on the front page of this prospectus headed "Locations of our wholly-owned factories and Joint Factories".

We plan to continue to expand the landscape of our Broad Homes United Program in the future to further increase our penetration and promote our "Broad Homes" brand in the PC market of China. We plan to establish a total of 67 Joint Factories covering 66 cities with GDP over RMB100 billion from 2019 to 2024. In 2019, we plan to enter into agreements to establish 18 new Joint Factories in cities including Suining (Western China Region), Zibo (Eastern China Region), Xingtai (Beijing-Tianjin-Hebei Region), Huizhou (Pearl River Delta Region), Baotou (Northern China Region), Shiyan (Central China Region), Chifeng (Northern China Region) and Liaocheng (Eastern China Region). In 2020, we plan to enter into agreements to establish 19 new Joint Factories in cities including Xuzhou (Eastern China Region), Zhenjiang (Eastern China Region), Ganzhou (Eastern China Region), Huanggang (Central China Region), Zhongshan (Pearl River Delta Region), Luoyang (Northern China Region) and Baoji (Western China Region). In 2021, we plan to enter into agreements to establish another eight new Joint Factories in cities including Anyang (Northern China Region), Chengde (Beijing-Tianjin-Hebei Region) and Chuzhou (Eastern China Region). In 2022, we plan to enter into agreements to establish eight new Joint Factories in cities including Jinzhou (Central China Region), Maoming (Pearl River Delta Region), Xining (Western China Region). In 2023, we plan to enter into agreements to establish seven new Joint Factories in cities including Yantai (Eastern China Region), Xianyang (Western China Region), and Yichang (Central China Region). In 2024, we plan to enter into agreements to establish seven new Joint Factories in cities including Qinzhou (Pearl River Delta Region), Yulin (Western China Region) and Zhangzhou (Eastern China Region).

The table below sets forth details of the expansion plan of Broad Homes United Program from 2019 to 2024:

Location	Total Number of Joint Factories	Total Number of Production lines
Eastern China Region	25	112
Beijing-Tianjin-Hebei Region	6	28
Pearl River Delta Region	9	33
Central China Region	10	46
Western China Region	8	30
Northern China Region	9	35
Total	**67**	**284**

Our Influence on Joint Factories and Our Management Strategy on Joint Factories Portfolio

Standard Measures

We do not control the Joint Factories, and therefore, though we provide our systematic services to the Joint Factories to facilitate their management of business during the establishment, the Joint Factories have the discretions in their daily business operations, procurement, sales, project selection and financing as well as settlement. We, however, participate in certain key operation and management decision making of the Joint Factories, including but not limited to, the annual business development, the annual budget as well as nomination and appointment of senior management personnel.

A consistent product quality, brand image and level of customer satisfaction are the key to maintaining the integrity and attraction of our brand. Unlike our wholly-owned factories, we do not have control over the day-to-day management of the Joint Factories. Therefore, as a starting point and our standard measures when we invested in a Joint Factory, we managed to build in certain mechanisms into the joint venture agreement with the JF Partners with an aim to provide a consistent system and technology supervision measures to the Joint Factories. As a starting point, we planned to participate in the key management and decision-making process of the Joint Factories through appointment or recommendation of directors. In addition, we have also implemented the following measures:

- provision of assistance through PC-CPS to the Joint Factories: the Joint Factories are encouraged to adopt our PC-CPS; through PC-CPS, the whole-process digitized information system, we believe the Joint Factories can control the production and operation so as to increase production efficiency on one hand, and we are able to provide technical assistance to the Joint Factories on the other hand;
- provision of standardized PC production lines: pursuant to the joint venture agreements, the Joint Factories shall purchase the standardized PC production lines from us to ensure the unified production facilities; together with the equipment, we also provide our services in relation to installation and debugging of the equipment to the Joint Factories;
- promotion of technology: we provide trainings to the management and skilled workers of the Joint Factories as well as our PC-CPS to facilitate their management and operation; we also formulate standard quality control measures to be implemented in the Joint Factories so as to ensure the consistent quality of our products; and
- brand sharing: we share our brands, trademarks and other types of intellectual property with the Joint Factories; we request the Joint Factories and JF Partners to keep strictly confidential of the information in relation to the cooperation of the Joint Factories.

Development of the "Two-level Management Strategy" on Our Portfolio of Joint Factories

During the Track Record Period, we have extended our footprint in the cities and regions across the PRC by establishing Joint Factories to capture the opportunity to promote our brand and the production and management system of PC units manufacturing. In 2017 alone, we entered into joint venture agreements for 44 new Joint Factories in aggregate. The revenue generated from the PC units manufacturing business increased by 101.7% in 2017 from 2016. With the quick expansion of the network of Joint Factories and the rapid growth of business volume of wholly-owned PC factories, we encountered increasing challenges in participating in the management and decision-making of each Joint Factory through appointing director and arranging experienced management personnel. Therefore, we explored and sought for a management model for Joint Factories which is suitable for our current development. In late 2017, we adjusted the management model of Joint Factories and formulated the "two-level management strategy" on Joint Factories. In early 2018, we started to implement this "two-level management strategy". Subject to the consent of the JF Partners, we withdraw from participating in the decision-making process of the key operational management of certain Joint Factories, to better respond to the challenges imposed on our limited management resources with our implementation of Broad Homes United Program.

The details of our "two-level management strategy" are set out as follows:

- Level one: for Joint Factories (i) located in or nearby cities or regions with GDP ranging from RMB500 billion to RMB1,000 billion; (ii) whose JF Partners strongly expect us to be more involved in the decision-making process of such Joint Factories; or (iii) located in regions with relatively strong potential, we currently adopt level one management on them. We are entitled to appoint director(s) in Joint Factories subject to level one management. The number of director(s) appointed by us in the Joint Factories is determined based on our shareholding in the Joint Factories. We are generally entitled to appoint one or two directors in the level one Joint Factories. The directors appointed by us attend the board meetings of the Joint Factories to participate in the management of the Joint Factories as well as to facilitate the establishment and selection of the management team of the Joint Factories and to export our valuable management experience. We also exert our influence over the management of the Joint Factories through attending the shareholders' meeting to determine matters such as (i) formulation of annual business plan; (ii) determination of annual budget and (iii) determination of annual profit distribution or deficit coverage plan. The annual business plan generally sets out the annual objectives with respect to, among other things, the production volume, revenue, gross profit, net profit and new contract value. Based on the performance of the Joint Factories, in case there is any material obstacle in its continuous operation, we may determine whether to continue the cooperation with the JF Partners pursuant to the joint venture agreements.

- Level two: for certain Joint Factories (i) located in cities or regions with GDP below RMB500 billion, (ii) located close to our wholly-owned PC factories or other Joint Factories; or (iii) where the level of construction business activity in the cities or regions is below our expectation, we currently adopt level two management. In order to reallocate our limited management resources and motivate the majority shareholder(s) of the Joint Factories, after our negotiation and subject to the consent of the JF Partners, we no longer held the decision-making rights in the key management decisions of the Joint Factories in the board meetings or shareholder's meetings (except for the decisions concerning the matters of: (i) dividend distribution and making up losses; (ii) increase or decrease in registered capital; (iii) merger, spin-off, insolvency, wind-up or any other change in the formality of the Joint Factories; and (iv) amendment on the articles of associations) and ceased to appoint directors and to be entitled to nominate directors. All the directors appointed by us in level two Joint Factories resigned from the position as a director in the Joint Factories and we no longer had effective board representation in level two Joint Factories. Instead, we obtain information about the operation and financial performance of level two Joint Factories by presenting in the regular meetings of Joint Factories (such as the senior management meetings and regular business meetings), the financial data provided to us quarterly as well as the data generated from the operation of PC-CPS in case PC-CPS is installed in the Joint Factories, so as to keep track of the compliance by those Joint Factories with the standards of our brand and reputation. In case of any breach of joint venture agreement by the JF Partner which may result in any adverse impact on our brand and market reputation, we may request the JF Partner to rectify the same and in case of serious breach, we may terminate the cooperation with the JF Partners and claim for damages. Although we adjusted the strategies of managing level two Joint Factories, the relevant adjustments are in line with the objectives of Broad Homes United Program.

We plan to continue to promote and implement the "two-level management strategy". During the Track Record Period, certain level one Joint Factories were re-categorized as level two Joint Factories for one or more of following reasons: (i) the Joint Factory is located in a city or region with GDP below RMB500 billion; (ii) the Joint Factory is in close proximity to one or more wholly-owned PC factories or other Joint Factories; and (iii) the level of construction activity in the city or region where the Joint Factory is located in is lower than expectation. For example, as of the Latest

Practicable Date, we further categorized ten level one Joint Factories that we had made capital contribution to as of December 31, 2018 as level two Joint Factories, as they are geographically located close to other Joint Factories or to our wholly-owned PC factories; as well as identified five Joint Factories that we had made capital contribution to as of the Latest Practicable Date as level two Joint Factories. As of the Latest Practicable Date, among the Joint Factories which we had made capital contribution to, 45 Joint Factories were identified and classified as level two Joint Factories. Based on mutual agreement after arm's length negotiation and the articles of association (or as amended) of those Joint Factories, we do not involve in the key operational management of these 45 Joint Factories.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we made capital contribution of RMB355.6 million, RMB771.0 million, RMB450.0 million and RMB45.8 million to the Joint Factories, respectively. The table below sets forth the number of the level one and level two Joint Factories that we had made capital contributions to as of the indicated dates:

	As of December 31,			As of April 30,	As of the Latest Practicable Date
	2016	2017	2018	2019	2019
Level One Joint Factories	19	41	29	25	19
Level Two Joint Factories	—	—	30	35	45
Total	19	41	59	60	64

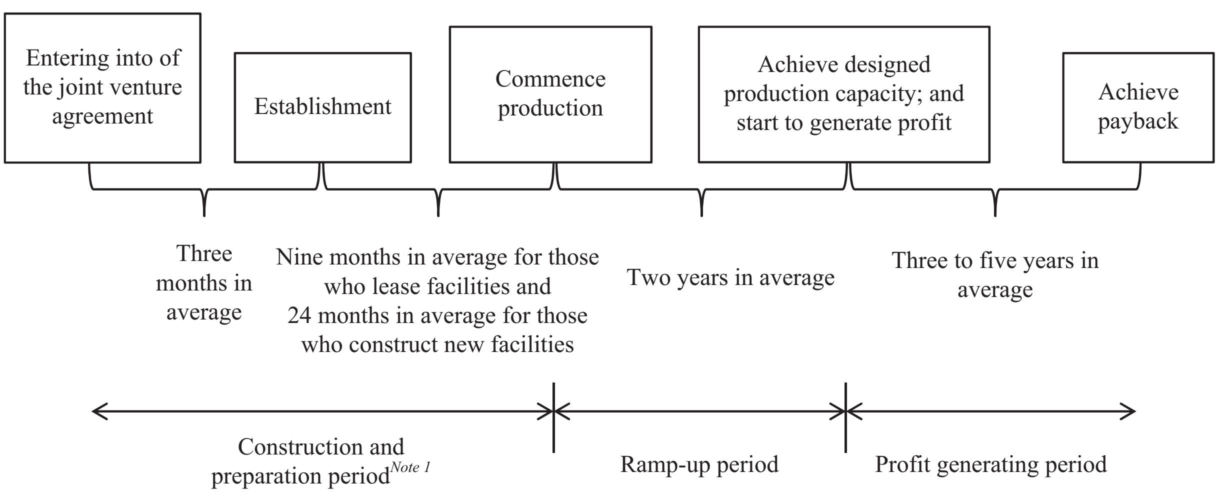
In the future, with the robust growth of prefabricated construction industry, the business scale of our wholly-owned PC factories and the Joint Factories is expected to increase. In the meantime, we will further progress the level-two management model. Over time, we believe this level-two management model (i.e. no participation in key operational management) will be more mature and widely accepted by the market. When the circumstance allows, we may categorize more and more level one Joint Factories into level two Joint Factories. With the expansion of Broad Homes United Program and subject to further negotiation with our JF partners, we expect to gradually re-categorize level one Joint Factories as level two Joint Factories, except for the circumstances under which our JF Partners have expressed a strong desire to involve us in the daily operation and management of the Joint Factory. Out of the 19 level one Joint Factories that we had made capital contribution to as of the Latest Practicable Date, we expect to re-categorize three as level two Joint Factories by the end of 2019. Moreover, we currently plan to categorize all 67 Joint Factories that we plan to establish from 2019 to 2024 as level two Joint Factories at the time of establishment, but do not preclude the possibility of change of plan for a few Joint Factories under the circumstances where our JF Partners have a strong desire to involve us in the daily operation and management of such Joint Factories.

Accounting Treatment for Joint Factories

Depending on whether we have significant influence on the Joint Factories that we had made capital contribution to, we recorded them as either associates (for level one Joint Factories) or financial assets at fair value through profit or loss (for level two Joint Factories) in our financial reports. We recorded gains on loss of significant influence in associates of RMB261.5 million and RMB87.3 million, respectively in 2018 and the four months ended April 30, 2019 from the remeasurement of 30 Joint Factories and four Joint Factories, respectively, that we had made capital contribution to as financial assets at fair value through profit or loss. We did not remeasure any associate as financial assets at fair value through profit or loss in 2016 and 2017. Please refer to the section headed "Financial Information—Factors Affecting Our Results of Operation—Business Model of Broad Homes United Program" for more details.

We recorded losses in our investments in associates as a whole during the Track Record Period as some of the Joint Factories were under construction, trial operation or ramp-up period and have not yet recorded any profit from their operation. As such, we recorded a negative share of profits less losses of associates of RMB17.1 million, RMB69.7 million, RMB98.3 million and RMB26.3 million, respectively, for the year ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019. However, based on the internal feasibility study we conducted before investing in the Joint Factories, we would generally expect the Joint Factories to record profits after three to five years and achieve payback after eight years commencing from the signing date of the joint venture agreement.

The following chart illustrates the timeline of the different development stages of a Joint Factory:



Note:

(1) The construction and preparation period generally includes the time for (a) acquisition of the land; (b) construction or leasing of the production facilities; (c) installation and debugging of the PC equipment; and (d) recruitment and training of suitable workforce.

As most of the Joint Factories were established less than three years, we expect we may continue to record negative share of profits less losses of associates as a whole in near future although six and four Joint Factories which are recorded as associates recorded profit in 2018[Note] and the four months ended April 30, 2019[Note], respectively. In addition, two and two Joint Factories which are recorded as financial assets at fair value through profit or loss recorded profits in 2018[Note] and the four months ended April 30, 2019[Note], respectively.

Note : according to the management accounts of such Joint Factories.

Performance of the Joint Factories

The table below sets forth the breakdown of the Joint Factories by locations and status as of April 30, 2019:

	Number of Joint Factories			
Location	Entered into Contract Note 1	Under Construction Note 2	Capable to Commence Production Note 3	Total
Eastern China Region	10	2	20	32
Beijing-Tianjin-Hebei Region	3	1	4	8
Pearl River Delta Region	1	–	2	3
Central China Region	1	1	6	8
Western China Region	9	4	10	23
Northern China Region	2	4	5	11
Total	**26**	**12**	**47**	**85**

Notes:

(1) include joint factories for which we have entered into contract with the JF Partners but yet to establish or commence construction

(2) include joint factories which have started construction but yet to have the capability to commence production

(3) include joint factories which are capable to commence production

As of April 30, 2019, the total production capacity of the Joint Factories which are capable of commencing production was 3,920,000 cubic meters per year. The table below sets forth details of the Joint Factories that are capable to commence production:

Location of factory	Capable to Commence Production	Number of Production Lines	Annual Production Capacity Note 1 (m^3)
Eastern China Region			
Wenzhou, Zhejiang Note 2	December 2017	5	100,000
Ningbo, Zhejiang Note 2	December 2016	2	40,000
Shaoxing, Zhejiang Note 2	October 2017	4	80,000
Jiaxing, Zhejiang Note 2	December 2018	5	100,000
Changzhou, Jiangsu Note 2	October 2017	3	60,000
Suzhou, Jiangsu Note 2	March 2017	5	100,000
	September 2016	3	60,000
Huai'an, Jiangsu Note 2	December 2017	5	100,000
Wuxi, Jiangsu Note 2	May 2018	3	60,000
Huaibei, Anhui Note 2	June 2018	3	60,000
Nanchang, Jiangxi Note 2	June 2018	5	100,000
Jiujiang, Jiangxi Note 2	December 2017	3	60,000
Yichun, Jiangxi Note 2	September 2018	8	160,000
Fengcheng, Jiangxi Note 2	December 2018	3	60,000
Shangrao, Jiangxi	March 2019	5	100,000
Fuzhou, Jiangxi	March 2019	3	60,000
Rizhao, Shandong Note 2	November 2017	5	100,000
Qingdao, Shandong Note 2	June 2017	5	100,000
Tai'an, Shandong Note 2	September 2017	5	100,000
Linyi, Shandong Note 2	June 2018	5	100,000
Beijing-Tianjin-Hebei Region			
Tianjin Note 2	December 2017	5	100,000
Langfang, Hebei Note 2	December 2017	4	80,000
Tangshan, Hebei Note 2	June 2018	3	60,000
Baoding, Hebei Note 2	June 2018	8	160,000
Pearl River Delta Region			
Guangzhou, Guangdong Note 2	June 2017	4	80,000
Nanning, Guangxi	December 2018	5	100,000

Location of factory	Capable to Commence Production	Number of Production Lines	Annual Production Capacity Note 1 (m^3)
Central China Region			
Changde, Hunan Note 2	September 2016	5	100,000
Yiyang, Hunan Note 2	November 2017	3	60,000
Huaihua, Hunan Note 2	January 2018	2	40,000
Yongzhou, Hunan Note 2	October 2017	3	60,000
Zhangjiajie, Hunan Note 2	September 2018	4	80,000
Hengyang, Hunan Note 2	March 2018	4	80,000
Western China Region			
Chongqing	December 2017 Note 2	5	100,000
	September 2018	3	60,000
Chengdu, Sichuan Note 2	September 2017	5	100,000
Luzhou, Sichuan Note 2	November 2017	3	60,000
Mianyang, Sichuan	December 2018	3	60,000
Urumchi, Xinjiang Note 2	July 2017	5	100,000
Shihezi, Xinjiang Note 2	June 2018	3	60,000
Yinchuan, Ningxia Note 2	December 2017	3	60,000
Xianyang, Shaanxi Note 2	March 2018	5	100,000
Hancheng, Shaanxi Note 2	December 2016	3	60,000
Northern China Region			
Luohe, Henan Note 2	August 2016	3	60,000
Xinxiang, Henan Note 2	June 2016	5	100,000
Zhumadian, Henan Note 2	December 2018	5	100,000
Taiyuan, Shanxi Note 2	August 2016	5	100,000
Hohhot, Inner Mongolia Note 2	March 2018	5	100,000
Total		**196**	**3,920,000**

Notes:

(1) Annual Production Capacity refers to the designed maximum production capacity. We estimate that the annual capacity of our wholly-owned factories is 30,000 cubic meters per production line. Considering that the Joint Factories have been put into production for only a short period of time, we estimate that their production capacity is about 70% of our fully developed wholly-owned factories. It is a comprehensive estimation after taking into account the production time for each PC unit as well as the capacity of production facilities (including trolleys and mixing plants) and the storage capacity.

(2) These Joint Factories had commenced production as of April 30, 2019.

We consider the acceptance and installation of PC equipment by a Joint Factory as a milestone for it to commence production. According to our internal feasibility study, Joint Factories are expected to take approximately two years in average to generate profit after the commencement of production (i.e. acceptance and installation of PC equipment). As we initiated Broad Homes United Program in 2016 and gradually achieved substantial progress in 2017 and 2018, most of the Joint Factories, however, have yet to enter into breakeven or payback period since they are still at the early development stage. The table below sets forth the number of Joint Factories that we had made capital contribution to which (i) accepted and installed PC equipment; (ii) recorded profits; (iii) recorded losses; and (iv) had no recorded profit or loss, in each year during the Track Record Period.

	Year ended December 31,		
	2016	**2017**	**2018**
Acceptance and installment of PC equipment of Joint Factories			
Number of Joint Factories that accepted and installed PC equipment	7	19	19
Financial performance of Joint Factories Note			
Number of Joint Factories that recorded profits	1	3	8
Number of Joint Factories that recorded losses	13	33	45
Number of Joint Factories without recorded profits/losses	5	5	6

Note: according to management accounts of such Joint Factories.

We believe similar sales models are adopted by the Joint Factories as ours, based on the fact that (i) the sales systems (including marketing module of PC-CPS, if applied) of the Joint Factories were established with our assistance; and (ii) we have provided trainings to the management team, including the sales team of the Joint Factories, on analysis of bidding process, marketing, client management and visit, analysis of project costs, standard contracts, and utilization of marketing module of PC-CPS, if applied. Based on our experience in the industry and the communication between the Joint Factories and us, the customers of the Joint Factories are mainly real estate developers, government investment vehicles and construction companies in the PRC, whose backgrounds are similar to our customers. Given economic transportation radius of 150 km of a PC factory, we generally do not invest in Joint Factories in the proximity area of our wholly-owned factories except in certain provincial cities which we consider to have scalable market size. Where there are multiple Joint Factories sharing the overlapping market, the Joint Factories may seek the assistance from our investment and cooperation center in the region to coordinate on any issue that may arise with other Joint Factories. For example, in case of any potential competition, our investment and cooperation center may initiate a communication channel between the Joint Factories in the region to solve the issue after friendly consultation between the Joint Factories or even establish a mechanism to regulate marketing activities of the Joint Factories in the region.

We collaborate with Joint Factories in terms of clients referral and production capacity sharing. The clients referral arrangement refers to the assistance we provide to the Joint Factories to support their marketing development while we are not obliged to. We generally recommend the Joint Factories with good performance to our strategic clients for their consideration for future business. We made the referrals by introducing the Joint Factories directly to our clients. During the Track Record Period, we made several referrals. For example, we referred our client Vanke to the Joint Factory in Tianjin, and another client to the Joint Factory in Hebei Province.

Due to economic transportation radius of 150 km, the production capacity can only be shared among Joint Factories and/or with wholly-owned factories covering the proximate regions. We outsource orders of PC units of a project to the Joint Factories when (i) the production capacity of our wholly-owned factories in a specific region is stretched by large volume of the orders on hand during particular period of time, while the orders require production of PC units in abnormal shapes and it is more cost-efficient to outsource such orders to the Joint Factory for production as extra time and workforce would be required to make the adjustment on the production line (such as the adjustment on mould to fit the abnormal shape) to fit the production requirement of abnormal shapes, and in turn, decrease the overall efficiency of massive production in the wholly-owned factories; or (ii) the construction site is in close proximity of the Joint Factories and thus it is more cost efficient to outsource such orders to the Joint Factory to save the transportation costs. In addition, we also outsourced the orders to the Joint Factory under the special circumstance. Our wholly-owned PC factory in Shanghai outsourced two orders to the Joint Factory in the same region due to its relocation in 2017, and orders in 2018 for a continuance supply for the same project. Our wholly-owned PC factory in Guangzhou outsourced its orders at hand to a Joint Factory in the same region due to its relocation in the four months ended April 30, 2019. During the Track Record Period, only wholly-owned factories in Hangzhou, Tianjin, Shanghai and Guangzhou placed orders with the Joint Factories in their respective proximate regions. In 2016, 2017 and 2018 and the four months ended April 30, 2019, we outsourced to the Joint Factories the production of PC units of 138.3 cubic meters, 2,677.7 cubic meters, 17,830.0 cubic meters and 1,213.5 cubic meters and incurred outsourcing cost (representing the total amount of purchase of PC units from the Joint Factories) of RMB0.2 million, RMB7.3 million, RMB46.4 million and RMB3.5 million, respectively. Our outsourcing costs in 2018 increased significantly as compared to 2016 and 2017 primarily due to (i) the significant increase of orders requiring production of PC units in abnormal shapes; and (ii) the significant increase of orders placed with our wholly-owned factories when such wholly-owned factories were occupied by orders on hand. On the other hand, when the wholly-owned factories have idle production capacity, they may also share their capacity with the Joint Factories. For the years ended December 31, 2016, 2017 and 2018, we generated revenue of nil, RMB2.2 million and RMB0.3 million for selling PC units of seven cubic meters, 887 cubic meters and 16 cubic meters to Joint Factories respectively. For the four months ended April 30, 2019, we did not sell PC units to Joint Factories.

OUR PC EQUIPMENT MANUFACTURING BUSINESS

Overview

After years of research and development, we have developed PC equipment which can cope with the demand of mass production of PC units in China.

As part of our Broad Homes United Program, we sell to the Joint Factories PC equipment specifically designed by us for the production of PC units that are well compatible with our PC-CPS, and provide value-added services. During the Track Record Period, substantially all of the PC equipment we sold were sold to the Joint Factories. The services we provide include installation and debugging of equipment sold and production management system training. For more details of the business model in relation to the Joint Factories, please refer to the section headed "—Broad Homes United Program".

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we entered into selling contracts to sell 63, 106, 69 and 13 production lines, respectively.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we generated revenue from PC equipment manufacturing business of RMB330.4 million, RMB836.2 million, RMB1,226.3 million and RMB218.4 million, respectively, representing 19.8%, 43.2%, 54.0% and 33.8% of our total revenue of same period. Gross profit from our PC equipment manufacturing business for such years was RMB135.2 million, RMB361.5 million, RMB466.4 million and RMB72.1 million, respectively, representing 22.4%, 51.2%, 64.4% and 44.3% of our total gross profit for such period.

We believe the demand for our PC equipment is sustainable in the next five to ten years after considering the following: (i) as of April 30, 2019, our backlog of the PC equipment manufacturing business amounted to RMB1.3 billion, which is expected to convert into revenue in the coming years; (ii) based on the joint venture agreements entered into between the JF Partners and us as of April 30, 2019, we have settled the purchase intention of approximately 101 PC unit production lines with a total value of RMB2.02 billion (assuming the price for each production line is RMB20.0 million), which is expected to constitute the main source of our revenue for PC equipment business in the next five years; and (iii) the nationwide strategic layout of Joint Factories network is on-going and is expected to continue in the next five to ten years. The demand for PC equipment along with the expansion of the Joint Factories network is expected to continue to grow in the next five to ten years. During the five years from 2019 to 2024, we plan to enter into agreements to establish 67 new Joint Factories with more than 280 PC unit production lines, which is expected to generate a total contract value of approximately RMB5.6 billion (assuming the price for each production line is RMB20.0 million) for our PC equipment manufacturing business.

Subsequent to the above expected growth of Joint Factories networks, we believe our brand, technology, management and production system will be recognized by industry players (especially other PC unit manufacturers) nationwide as well as our enhanced market position in both regional and national markets together with our development and business growth in PC unit manufacturing business. We expect to continuously benefit from the market demand for PC equipment generated by the rapid development of the prefabrication construction industry and the macro economy in China. In addition, we also endeavor to develop new PC unit products as well as new types of PC unit production lines to produce such products to meet the increasingly diversified market demand, which will also bring about the upgrading demands for the current PC unit production lines. Furthermore, there are maintenance demands for the current PC unit production lines as well.

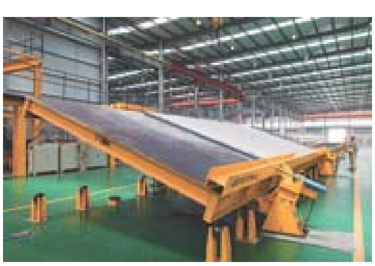
During the Track Record Period, two Joint Factories have made purchases for their expansion of production capacity as a result of (i) the rapid development of local PC markets; and (ii) the limited production capacity of the three production lines they purchased initially. The table below sets out the details of such purchases:

Name of Joint Factories	PC Equipment Purchased	Contract Value (RMB'000)	Time of Purchase
One Joint Factory in Changde, Hunan Province	two PC production lines and one reinforcing bar production line	47,800	August 2018
One Joint Factory in Yichun, Jiangxi Province	five PC production lines and one reinforcing bar production line	97,473	January 2019

As such, we believe the future demands for the PC equipment are substantial, foreseeable and sustainable. In addition, we do not preclude the possibility to sell the PC equipment to third-party clients other than the Joint Factories. We are confident to successfully develop third-party clients in our future operation.

Products and Services

The equipment we sell to the Joint Factories generally includes:

	Type	Core Components
	Concrete spreader system	• One-stop mixing facility: it mixes concrete and supplies materials to a number of assembling lines • Shuttling vessels and closed circuit track: shuttling vessels can deliver materials rapidly from the one-stop mixing facility to all assembling lines of the factory through the closed circuit track automatically • Concrete spreader: through touch-screen, workers can operate the concrete spreader to mix and spread concrete evenly. Auto lubricating devices are installed in the concrete spreader to facilitate usage and maintenance • Vibration table: it is easy to install with modularized design where the length of the table can be adjusted according to the size of the modules; it produces prefabricated units with high density through high frequency vibration • Blade grade: it scrapes the surface of PC units
	Curing system	• 3D curing kiln: the exterior is made of heat-retaining composite materials to form confined spaces suitable for curing; the interior is made of multiple layers of steel modules equipped with temperature and humidity enhancement functions; workers can monitor real-time temperature, humidity and curing time via the interface; it supports the automatic delivery and receipt of PC units
	De-moulding system	• Hydraulic turning table: workers can remotely control the hydraulic turning table, and mechanical grippers can hold the modules automatically and turn them over accurately using hydraulic power to demold the PC units

	Type	Core Components
	Delivery system	• Integrated delivery vehicle: it can be operated safely and reliably over long distance • Truck loading crane: it can freely operate both vertically and horizontally with a maximum loading capacity of 50 tons; equipped with balancing harness; it can ensure stability and safety during the process of lifting; it holds and releases the entire delivery vehicle automatically with four sets of hydraulic hangers
	Circulatory system	• Hydraulic transverse shifting vehicle: multiple mini hydraulic transverse shifting vehicles move transversely at corresponding operation positions along ground tracks installed with steel rail wheels delivery routes at corresponding operation positions, realizing a circulation of assembling lines • Steel bench vehicles: steel bench modules are made of single welded steel board to ensure the smoothness of the surface; under normal usage, steel bench modules can operate for a long period of time and will not deform • Steel rail wheels: guide the movement of steel bench vehicles with accuracy; the rail wheels are easy to install and the height is adjustable
	Rebar processing system	• Digitally controlled mesh machine: it automatically performs rebar collection and distribution, rust removal and straightening, materials delivery, welding and cutting • Digitally controlled bar straightener: it completes one-off straightening, dimensional cutting, cutting, aligning and collection of rebar materials • Bending machine: it completes one-off bending and molding of rebar materials • Bar machining center: effectively cut, bend and mold bar materials

Along with PC equipment, we also provide value-added services to the JF Partners and Joint Factories, including among others:

- Site selection: we assist the Joint Factories in its selection of factory sites. We inspect various candidate sites in the target region and assess comprehensively the conditions of their infrastructure facilities, the space required to satisfy the planned capacity and transportation distance.

- Factory planning and design: we design planning of site portioning for different processing areas and traffic routes in the factories. To determine the planning, we take into account the plan approved by local construction planning department, conditions of the land and demands of production and transportation.
- Production line design: we plan the allocation of equipment to facilitate the flow of production, including concrete spreader system, curing system, de-moulding system, delivery system, circulatory system and rebar processing system.
- Technical support of construction: we provide guidance on the civil construction in order to ensure that the mechanical and electrical conditions of the plant will satisfy requirements of the daily operation.
- Production organization planning: we provide guidance to the Joint Factories to set up a reasonable production and management model.
- Installation, debugging and after-sales service: we are responsible for the installation and debugging of production lines. Within the warranty period, which is usually one year after the acceptance, we provide maintenance service and relevant repair parts. After expiration of the warranty period, we provide overhaul service and relevant repair parts.
- Production management training: we assist in the formation of equipment management team and organize trainings and reviews for them. The training contains, among others, knowledge of equipment management, theory of machines and mechanisms and practice of operation, regular inspection and maintenance.

The selling prices of our PC equipment are determined after taking into account the value of our PC equipment and relevant services. The price of our PC equipment varies by specifications. For the years ended December 31, 2016, 2017 and 2018, the price per PC equipment production line[Note] ranged from RMB16.3 million to RMB21.8 million; RMB17.9 million to RMB22.2 million; and RMB17.1 million to RMB23.6 million, respectively. The general increase in the price of our PC equipment was primarily due to increase in OEM service fees as a result of general increase in the price of raw materials (mainly steel). The increase in the high end of PC equipment price in 2018 was primarily due to the higher price we charged for the embedded value of intellectual properties we provided along with some of our production equipment. We believe that the price of the PC equipment sold by us to the Joint Factories is market comparable. According to Frost & Sullivan, the price of the PC production line with capacity of 30,000 to 50,000 cubic meters per annum is around RMB10 million for domestic production line and ranges from RMB20 million to RMB30 million for imported production line. The higher price of the imported production line is generally attributable to the inclusion of high value-added auxiliary product such as manufacturing and management software. The price of our PC equipment is higher than the domestic PC production lines but comparable to imported PC production lines as it reflected (i) the value-added services we provide to the Joint Factories and (ii) embedded value of the production management system, we provide along with our PC equipment. For details, please refer to the section headed "—Pricing".

OEM Manufacturing

We select qualified OEM service providers to manufacture various PC equipment forming a production line. There are plenty of OEM service providers in the PRC market which are capable of

Note: The ranges of the price per PC equipment production line for the years ended December 31, 2016, 2017 and 2018 are calculated on the basis of the PC equipment sales contracts which generated revenue for the indicated years.

producing the equipment we request for. We select OEM service providers based on the technical complexity of the equipment. We provide the design and specifications for the equipment and engage OEM service providers to produce the equipment per our design but we did not participate in the manufacturing work of the PC equipment.

As of April 30, 2019, we had built up long term relationships with nearly 10 OEM service providers. We entered into OEM agreements with these service providers and placed orders with the OEM service providers each time we received orders from the Joint Factories.

For details, please refer to the sections headed "—Supply—Equipment" and "—Suppliers".

It usually takes one to two months from the placement of purchase order with the OEM service providers to the delivery to the Joint Factories.

OUR CONSTRUCTION CONTRACTING BUSINESS

Overview

We participate in the construction of prefabricated buildings as a general construction contractor in selective projects. As a general construction contractor selected through tendering processes, we perform the construction contract in accordance with designs and timetable provided by architectural design organization and the project owner.

We are generally in charge of the whole construction project, and are allowed to subcontract certain aspects of the project to third parties. For details, please refer to the section headed "—Supply—Subcontractors". During the construction process, the project owner will supervise the construction work with the assistance of the architectural design organization or a supervision company separately engaged to monitor the progress of the project.

During the years from 2012 to 2015, we mainly acted as a general construction contractor in prefabricated building construction projects, before we decided to focus on the PC unit manufacturing business in 2016. This focus change was primarily driven by our intention to concentrate our strengths on PC unit and equipment manufacturing and further develop our PC unit design and production management system. In view of this focus change, we intentionally reduced the construction projects we undertook during the Track Record Period, and as such, we did not undertake new construction projects for our construction contracting business during the Track Record Period. Currently, we will selectively undertake construction projects as a general construction contractor with a view to collect data for the purposes of extending our management system from design and production to construction, where all the construction process is intelligently managed by the computer system, and to experiment our research results. We believe this will become an inevitable evolvement for the construction industry to realize industrialization. Based on our current business plan, we expect the share of our revenue from construction contracting business will remain at the similar level or less as we expect to continue to focus on the PC units manufacturing business and the PC equipment manufacturing business and will selectively undertake construction contracting projects that may require innovated construction technology to facilitate our research and development of intelligent construction site in the future.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our construction contracting business generated a revenue of RMB899.2 million, RMB208.3 million, RMB188.5 million and RMB76.9 million, respectively, representing 53.8%, 10.8%, 8.3% and 11.9% of our total revenue of those periods. Gross profit from our construction contracting business was RMB289.6 million, RMB58.9 million, RMB54.5 million and RMB19.0 million, respectively, representing 48.1%, 8.4%, 7.5% and 11.6% of our total gross profit of those periods.

Construction Projects

During the Track Record Period, we completed 12 projects with a total construction area of approximately 1.3 million sq.m. Among these projects, the construction area of six projects was more than 100,000 sq.m. each. Our Blue Bay Projects in Ningxiang, Hunan Province and Zhangjiajie, Hunan Province both won the Provincial Energy-saving and Environment-protecting Residence Comfortable Housing Demonstration Project (省地節能環保型住宅國家康居示範工程實施項目) issued by the MOHURD. As of April 30, 2019, we had three projects, with a total construction area of over 500,000 sq.m. under construction. Our construction contracting project portfolio (including completed and under construction projects) primarily consists of affordable housing projects and urban public construction projects in which we cooperated with local governments in Hunan, Anhui, Beijing, Jiangsu, Shanghai, and Zhejiang and commercial residential projects developed by large real estate developers and construction companies.

Tendering Process

Our construction projects are generally secured through a tendering process or by contract negotiations with our customers. In accordance with relevant laws and regulations in the PRC, certain public works construction projects and large-scale infrastructure projects must be awarded through tendering.

If we are successful in our bid for a construction project, we will evaluate the terms in the contract provided by our client. Our marketing team has the responsibility of leading contract negotiations with our customers. The negotiated terms of the construction contracting contract will then proceed to signing process.

Major Terms

For our construction contracting business, we enter into construction contracting contracts with our clients. Our construction contracting contracts specify the major terms of a project, such as pricing, payment schedule, project schedule, warranty, price adjustment, acceptance inspection and project delays. From time to time, we may enter into supplemental contracts if we are required to provide services outside the original scope of work. The major terms included in most of our construction contracting contracts are summarized as follows:

Payment schedule	We generally require an advance payment from our customers to cover various costs to be incurred in the early stages of the project. Payments for our construction contracting services are generally made by: (i) monthly progress payments; or (ii) payments upon the project achieving key milestones set forth in our construction contracting contracts. Approximately 95% of the total contract price is settled after the final inspection of the project and approximately 5% of the total contract price will be retained by the client as a warranty deposit and will be paid to us

	upon expiration of the warranty period, which normally ranges from two to five years after the acceptance.
Performance guarantee . . .	We are sometimes required to maintain the quality of the project during the warranty period ranging from two to five years. During the warranty period, we shall fix relevant quality issues upon notice.
Project delays	If the project is delayed not as a result of our fault, but for reasons including a material expansion of work scope or the occurrence of force majeure events, we will normally be granted an extension equal to such delayed period. If we cause a delay in the project schedule, we shall pay liquidated damages to the other party according to the agreement. So far as our Directors are aware, during the Track Record Period and up to the Latest Practicable Date, we did not pay any liquidated damages to our customers.
Subcontracting	We are allowed to subcontract ancillary construction services. For details of our subcontracting arrangements, please refer to the section headed "—Subcontractors"
Term	The term of our construction contracting contracts depends on the estimated time required to complete the construction project, which is generally one to three years.
Termination	Generally, our construction contracting contracts may be terminated by mutual agreement between the parties thereto.

BACKLOG AND NEW CONTRACT VALUE

Backlog

Backlog represents our estimate of the contract value of products or services that remain to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming that the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles.

Our backlog as of December 31, 2016, 2017 and 2018 and April 30, 2019 are set out in the table below:

	As of December 31,						As of April 30,	
	2016		2017		2018		2019	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%
Backlog								
PC Unit Manufacturing . . .	734.5	34.0	918.1	31.4	3,220.2	68.7	3,801.7	73.3
PC Equipment Manufacturing . . .	938.7	43.5	1,689.8	57.9	1,325.1	28.3	1,314.0	25.3
Construction Contracting	484.8	22.5	312.8	10.7	143.8	3.1	69.5	1.3
Total	**2,158.0**	**100.0**	**2,920.6**	**100.0**	**4,689.0**	**100.0**	**5,185.1**	**100.0**

For PC unit manufacturing business, delivery of our products significantly relies on the progress of our clients' projects. For construction contracting business, our revenue recognition is based on the construction progress of a project. As such, we cannot assure that the backlog of the sales of PC units and construction contracting business will eventually be recognized as revenue according to our expected progress. As for our PC equipment manufacturing business, the revenue is recognized upon acceptance of the equipment by a Joint Factory after the installation and debugging. We cannot assure that the backlog of the sales of PC equipment will be recognized as revenue upon acceptance.

During the Track Record Period, we did not experience any incident where a material part of the contract amounts reported in our backlog failed to be turned into actual revenue and profits. However, there is no assurance that the projected revenue amounts reported in our backlog will not decline, or will eventually be recognized as actual revenue or translate into profits.

New Contract Value

New contract value represents the aggregate value of contracts that we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract, assuming that the contract is performed in accordance with its terms.

Our new contract value for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 is set out in the table below:

	For the years ended December 31,						Four months ended April 30,	
	2016		2017		2018		2019	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million)	%
New contract value								
PC unit manufacturing	970.8	39.8	1,213.3	34.1	3,212.5	69.6	969.9	78.1
PC equipment manufacturing	1,430.0	58.6	2,330.0	65.4	1,405.9	30.4	272.0	21.9
Construction contracting	39.2	1.6	18.9	0.5	—	—	—	—
Total	**2,440.0**	**100.0**	**3,562.3**	**100.0**	**4,618.3**	**100.0**	**1,241.9**	**100.0**

RESEARCH AND DEVELOPMENT

We believe that our strong research and development capabilities are fundamental to our leading market position and are key to maintaining such position and our sustainable development. In particular, we focus on digitization of manufacturing and management process as well as construction, upgrading equipment for PC unit manufacturing, developing new products and improving foundational technologies in prefabricated construction. Our founder and management team entered the field of construction industrialization in 1996 and our key members of research and development department have researched on the prefabricated construction technologies for over 20 years. Through years of research, extensive verification experiments on newly developed PC units with collaboration with professional research institutes, including Hunan University, actual operation of multiple factories and extensive experience from a large number of construction projects in China, we have developed a set of technologies of prefabricated construction as well as the capability of design and manufacturing PC equipment, and established the whole-process digitized management system. Our major research and development results are set out below:

Area	Major Research and Development Results
Digitization of PC unit design, manufacturing and management	Application of PC-CPS in management of entire business operations, please refer to "—Our PC Unit Manufacturing Business—PC-CPS"
	PC Maker I, the first forward design software based on BIM platform specially developed for prefabricated building, please refer to "—Our PC Unit Manufacturing Business—Product Design—PC Maker I"
	Application of IoT technologies in PC unit manufacturing.
PC equipment	Full automatic concrete spreader which spreads concrete automatically in the mould for manufacturing PC.
	Mixing facility which mixes concrete, shuttling vessel which delivers the mixed concrete thought the closed circuit track, and closed circuit track which guides the transportation of shuttling vessel.
	Multi-layers curing kiln which cures the solidification of PC units.
	Hydraulic turning table which turns the steel bench vehicles carrying the semi-finished PC units for the purpose of de-moulding.
	Blade grade which scrapes the surface of PC units.
	Please refer to "—Our PC Unit Manufacturing Business"
Structure technology for prefabricated building	Structure of prefabricated building which involves the assembling of precast concrete walls and precast concrete floors connected by reinforced grouting and/or boxes (涉及採用鋼筋灌漿連接及/或盒式連接技術裝配預製混凝土牆及預製混凝土樓蓋的裝配式建築結構)
	Integrated construction technology of assembling composite concrete floor (混凝土疊合樓蓋裝配整體式建築技術)
	Structure technology of concatenating sandwich prestressed shear walls with rebar (採用鋼筋夾心疊合剪力牆的結構技術)
	Exterior wall cladding with precast concrete beam with rebar and by casting-in-place integrated utility tunnel structure (採用鋼筋混凝土預製樑的外牆的結構技術)

Area	Major Research and Development Results
	Utility tunnel structure assembled with reinforced PC units (預製裝配式綜合管廊結構)

Built on years of focus on PC unit manufacturing, we have developed a solid and integrated technology system in the construction of prefabricated buildings. In 2007, the MOC admitted us as the first batch of National Housing Industrialization Bases (國家住宅產業化基地). As the pioneer in the prefabricated construction industry, we participated in formulating the national standards, provincial standards of the industry and compiling atlas of design drawings and industry-related books. As of April 30, 2019, we and the Joint Factories had participated in formulating three national standards, one industrial standard and 27 provincial standards and compiling three published atlas and five professional books. As a leading company in the industry with advanced technology and practical experience, we also undertake government research programs in the prefabricated construction area. As of April 30, 2019, we had undertaken 12 government research programs at national level, provincial level and municipal level.

The below sets forth the major industrial standards and technology regulations, publications and research programs that we have participated in:

National standards and industrial standards:

- Technology Regulation of the Structure of Assembled Concrete (《裝配式混凝土結構技術規程》JGJ1-2014): the first industrial standards for the prefabricated construction industry in the PRC
- Evaluation Criterion of Industrialized Building (《裝配式建築評價標準》GB/T51129-2015)
- Technical Standard of the Structure of Assembled Concrete (《裝配式混凝土建築技術規程》GB/T51231-2016)
- Evaluation Criterion for the Material Saving of Civil Buildings (《民用建築節約材料評價標準》GB/T34909-2018)

Provincial standards:

- Technology Regulation of the Integral Construction of Prestressed Concrete Floor Assembling of Hunan Province (《湖南省混凝土疊合樓蓋裝配整體式建築技術規程》DBJ 43/T 301-2013)
- Technology Regulation of the Assembled-cast-on-site Shear Wall Structure of Hunan Province (《湖南省混凝土裝配-現澆式剪力牆結構技術規程》DBJ 43/T 301-2015)
- Technology Regulation of Multilayer Concrete Wall-Panel Structure of Full Assembly Type Connected by Boxes of Hunan Province (《湖南省盒式連接多層全裝配式混凝土牆-板結構技術規程》DBJ 43/T 320-2017)
- Technology Standard of the Structure of Prefabricated Concrete Utility Tunnel (《湖南省預製裝配整體式混凝土綜合管廊結構技術標準》DBJ 43/T 329-2017)
- Evaluation Criterion of Green Prefabricated Building of Hunan Province (《湖南省綠色裝配式建築評價標準》)

- Uniform Mathematical Model Regulation of Precast Concrete Residential Building of Hunan Province (《湖南省裝配式混凝土結構住宅統一模數規定》)
- Technology Guideline of Precast Concrete Building Quality Management of Hunan Province (Trial Implementation) (《湖南省裝配式混凝土結構建築質量管理技術導則(試行)》)
- Specification for Construction and Quality Acceptance of Precast Concrete Structures of Anhui Province (《安徽省裝配整體式混凝土結構施工及驗收規程》DB34/T5043-2016)
- Code for Quality Acceptance of Precast Concrete Structures Construction of Zhejiang Province (《浙江省裝配整體式混凝土結構工程施工質量驗收規範》DB33/T1123-2016)
- Specification for Construction Quality Acceptance of Prefabricated Structural Engineering of Jiangsu Province (《江蘇省裝配式結構工程施工質量驗收規範》DGJ32/J184-2016)
- Specification for Construction and Quality Acceptance of Precast Concrete Structures of Shaanxi Province (《陝西省裝配式混凝土結構工程施工與質量驗收規程》DBJ61/T118-2016)
- Design Code for Precast Concrete Buildings of the Xinjiang Uygur Autonomous Region (《新疆維吾爾自治區裝配式混凝土建築設計規程》XJJ085-2017)
- Standard Atlas for Prefabricated Reinforced Concrete Folded Floors of the Inner Mongolia Autonomous Region (內蒙古自治區標準圖集《預製鋼筋混凝土疊合樓板》)
- Other provincial technology specifications of Anhui Province, Shandong Province, Zhejiang Province, Inner Mongolia autonomous region, Jilin Province

Atlas:

- Atlas of Precast Concrete Civil Building of Hunan Province *(*《湖南省裝配式混凝土結構城鎮住宅圖集》)
- Atlas of Furong School Standard Design of Hunan Province (《湖南省芙蓉學校標準設計圖集》)
- Atlas of Prefabricated Villa (《預製裝配式別墅圖集》)

Professional Books:

- Collection of Gist for Prefabricated Building Construction (《預製裝配式建築施工要點集》), edited by the Chinese Society of Education and us
- Common Issues Facing Prefabricated Building Construction and 200 Cases for their Prevention and Management (《預製裝配式建築施工常見問題與防治200例》), edited by the Chinese Society of Education and us
- Technical Guide on Prefabricated Concrete Utility Tunnel (《預製裝配式混凝土管廊技術指南》), edited by us
- Gist on Quality Control of Prefabricated Construction Supervision (《預製裝配式建築監理質量控制要點》), edited by China Association of Construction Education and us
- Bill of Quantities of Prefabricated Concrete Structures (《預製裝配式混凝土結構工程量清單計價》), edited by China Association of Construction Education and us

Research Programs:

- Construction of Capability in Enterprise Technology Center Innovation (企業技術中心創新能力建設) 2015-2017, under the First Batch of Investment Plans for the Changsha Mass Entrepreneurship and Innovation Program
- Research and Application Demonstration of Key Technologies for Assemblance of New Buildings (新型裝配式建築關鍵技術研究應用示範) 2017-2020, a key science and technology project of Hunan Province
- Research and Development of Key Technologies for Flexible and Intelligent Manufacturing of All Types of PC Components and Construction of Intelligent Factory (全品類PC構件柔性智能製作關鍵技術研發及智能工廠建設) in 2016, under the Changsha 3 Year Intelligent Manufacturing (2015-2018) Action Plan
- Research and Application Demonstration of Key Technologies for Internet *plus* Green Building Industrialized Intelligent Manufacturing (互聯網+綠色建築工業化智能製造關鍵技術研究及應用示範) in 2015, a science and technology key project of Hunan Province
- Research and Application Demonstration of Key Technologies for New Type of Prefabricated Buildings (新型裝配式建築關鍵技術研究與應用示範) in 2017, one of the science and technology major projects of Hunan Province
- Research and Development and Promotion of the Cloud Platform for the Housing Industrialization Industry Chain (面向住宅產業化產業鏈雲平台的研發及推廣) in 2017, one of the mobile internet project of Hunan Province Economic and Information Committee
- Demonstration of Factory of PC Intelligent Manufacturing for Prefabricated Building (基於裝配式建築PC構件智能工廠試點示範), a demonstration project of intelligent manufacturing of the MIIT
- Development and Application Demonstration of Intelligent Green Engineering Machinery for New Type Building Construction (面向新型建築施工的智能化綠色工程機械研製及應用示範) in 2018, one of the science and technology major projects of Hunan Province

Through years of effort, we have established a team of experts that are well recognized in the industry for their experience and expertise. As of April 30, 2019, our research and development team comprised more than 500 skilled professionals and engineers, of whom over 400 held bachelor's or higher degrees. In terms of internal classification, we have two professor-level senior staff, 45 senior engineers, 63 engineers and 39 assistant engineers in our research and development team.

As of April 30, 2019, we owned eight pieces software copyrights that we consider material to our business and 515 patents, including 42 invention patents, 404 utility model patents and 69 appearance design patents. Furthermore, as of April 30, 2019, we were in the process of applying for 439 patents, including 223 invention patents, 212 utility model patents and four appearance design patents.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our research and development expenditure were RMB116.6 million, RMB143.3 million, RMB207.7 million and RMB63.0 million, respectively, among which, RMB20.2 million, RMB28.2 million, RMB81.8 million and RMB25.0 million has been capitalized, respectively.

We collaborate with major academic institutions, real estate developers and well-known companies in the PRC to study the functions and performance of PC units and research on the structural technology of construction materials. As of April 30, 2019, we had entered into collaboration agreements with some well-known architecture design institutions, well-known corporations and higher education institutions, such as China Academy of Building Research, Tongji University, Hunan University and Sik (China) Co., Ltd. (西卡（中國）有限公司). Based on the collaboration agreements, we normally bear the research and development costs and are entitled to utilize the research results, while the collaborating institutions may retain or jointly hold with us the ownership of the technology developed. In addition, we are entitled to make use of the research results so developed for further research or development.

BROAD HOMES TRAINING CENTER

We established our training center in May 2016 to provide training courses to the employees, and more importantly, develop talents for the prefabricated construction industry. Broad Homes training center provides comprehensive training courses, namely B-learning courses, to our employees and employees of the Joint Factories. The B-learning courses are developed by us especially for the purpose of providing trainings on the practical skills required in different positions to operate and manage through PC-CPS. B-learning courses include two months' courses studying at the Broad Homes training center and two months' internship training in the PC factories. Through the B-learning courses, the employees will obtain basic knowledge of PC unit manufacturing and PC-CPS and have the opportunity to practice in the factory before they perform their duty at the particular positions. After completion of B-learning courses and passing the examination, the trainees will be granted a course certificate by Broad Homes training center. As of April 30, 2019, we had provided systematic training to thousands of managers and skilled workers for 43 companies.

SUPPLY

We manage our supplies and procurement through our PC-CPS supply chain module. The purchasing functions in our headquarters mainly focus on formulating purchasing price and managing the purchase module to ensure the implementation of such policies and supervise the purchase activities through the supply chain module. Specific purchase functions, including the bidding process, signing and filing of purchasing contracts and payment settlement are independently operated by local factories through the supply chain module.

Our suppliers (as well as potential suppliers) are able to register an account on the supplier end of our PC-CPS supply chain module. After our preliminary screening according to the standards embedded in the system, the qualified suppliers will be enrolled in our supplier pool. Qualified suppliers may obtain the information of our purchasing demand through the supply chain module and may also submit their bidding through the supply chain module. After receiving the biddings submitted by the suppliers through their accounts, the local factory will select the supplier according to the purchasing policies. Due to price difference among regions, our procurement department in the headquarter provides different benchmark prices for raw materials based on local prices. Once the cost quoted or determined through the system is beyond that benchmark price range, our procurement department in the headquarter will intervene to decide whether such increase is reasonable. Once the purchase is decided, the relevant information will be automatically delivered to the finance module for further handling. For details, please refer to "—Our PC Unit Manufacturing Business—PC-CPS".

Raw materials

The major raw materials for our PC unit manufacturing include cement, rebar and gravel. During the Track Record Period, we primarily purchased raw materials from third-party suppliers in the PRC. We entered into framework procurement agreements with selected suppliers with a term ranging from half a year to three years, during which specific purchase orders would be placed from time to time according to our demand.

The table below sets forth the major terms of the framework agreements with the raw material suppliers:

Supply of raw materials	Rebar, cement, gravel and thermal insulation materials
Pricing terms	The settlement price will be the price of products plus the package cost, transportation cost, insurance cost and tax. The price of products will be determined according to the market price, normally the local price as set out on the industry website on the date of acceptance of the products.
Termination provisions	Normally we are entitled to terminate the agreement if the supplier delays the delivery for 10 days or more, or for 24 hours later than the agreed time for 3 times or more.
Compensation for breach of contract	Liquidated damage is payable by the supplier if the supplier provides unqualified products; overdue fees are also payable by the supplier for any delay in delivery
Term of the agreement	Half a year to three years

We typically have multiple suppliers for each of our raw materials so as to maintain a stable procurement of raw materials and reduce the reliance on any particular supplier. During the Track Record Period and up to the Latest Practicable Date, we did not experience any shortage or delay of supply of raw materials that caused a material adverse effect to our business operations.

Equipment

The production lines we sell to the Joint Factories are designed by us. The equipment comprising the production lines is produced by OEM service providers based on our design. During the Track Record Period, we primarily engaged third-party equipment manufacturers in the PRC for OEM services. The price of the OEM service is generally determined through bidding process. Usually the price will be based on the materials cost, labor cost, package cost, transportation cost, installation cost, insurance cost and others. Generally the major materials cost will be determined according to the local price as set out on the industry website on the date of receiving the prepayment.

We enter into framework agreements with selected OEM service providers with a term ranging from one to two years, during which specific purchase orders will be placed from time to time according to our demand. The table below sets forth the major terms of the framework agreements with the major OEM service providers:

Supply of equipment	PC unit manufacturing equipment
Restrictive provisions	The provisions in the purchasing contracts and specifications of the equipment shall be kept confidential; the supplier shall not authorize third parties to manufacture the equipment or manufacture the same product for other clients, and shall not conduct quoting or conduct business related to PC unit manufacturing equipment with companies that have business relationship with us.
Termination provisions	We are entitled to terminate the agreement if (i) the supplier is not able to meet the safety production measures as required by competent authorities; (ii) the occurrence of any force majeure events which result in inability to perform the contract in full by either parties; (iii) the delay of delivery by the supplier exceeds 15 days; or (iv) the equipment delivered by the supplier does not satisfy the agreed specifications and the supplier refuses to rectify.
Compensation for breach of contract	A late payment fee will normally be imposed on us if we significantly delay the payment of the purchasing price; approximately 0.02% to 0.05% of the purchasing price is payable by the supplier for each day of delivery delay as a overdue fee if the supplier is not able to provide products on time; approximately 10% of the purchasing price is payable by the supplier as liquidated damages if we determine to terminate the contract due to the breach of contract by the supplier; if our loss exceeds the liquidated damages, the supplier shall be responsible for all of our loss; the supplier is generally responsible for all the loss of us and/or the third parties if the supplier is not able to meet the safety production measures as required by competent authorities; the supplier shall be responsible for all the loss of us and/or the third parties due to the quality problem of the equipment during the warranty period.
Term of the agreement	One to two years

During the Track Record Period and up to the Latest Practicable Date, we did not incur any difficulties in identifying suitable OEM service providers for manufacturing qualified equipment nor experience any major delays from any of the OEM service providers.

Energy

The main energy used in our production is electricity. We purchase electricity at market prices from the local grid where our facilities are located. As of the Latest Practicable Date, we had not experienced any major disruption in our electricity supply.

Suppliers

During the Track Record Period, we maintained long-term relationships with our key suppliers. As of April 30, 2019, we had 31 raw materials suppliers and 11 OEM equipment suppliers with cooperation relationships of approximately three years.

For our PC unit manufacturing business, our raw materials mainly include cement, rebar and gravel. For cement and rebar, we mainly purchase products with brand reputation from local traders who are in the vicinity of the PC factories. We believe that well-known brands generally indicate products with good quality. For gravel, we mainly source cost-effective products that meet our quality requirements from local suppliers who are in the vicinity of the PC factories. For other raw materials which the transportation costs associated are not significantly different due to the distance, we generally source from suppliers who have long-term cooperation relationship with us in the PRC. We believe that suppliers who have long-term cooperation relationship with us can provide stable, reliable and cost-effective products. When purchasing from raw materials suppliers, we normally obtain a credit term of 30 days. Some suppliers may allow a credit period of two to three months based on their long-term relationship with us and our good credit track record.

For our PC equipment manufacturing business, we purchase equipment from different OEM service providers based on the technical complexity of the equipment. For equipment with high technical requirement and precise production technology, we purchase from well-known equipment suppliers in the PRC. For equipment with general technical requirement, we purchase cost-effective products in the PRC that meet our quality requirements. The OEM service providers generally grant long credit period to us, some of whom allow us a credit period of three to 12 months.

Subcontractors

For our construction contracting business, we engage third party subcontractors to provide construction services on the projects we undertake as a general contractor. We select subcontractors based on a number of strict parameters including previous cooperation experience and our valuation of their performance. For certain projects, project owners also typically require us to obtain their consent before we subcontract. We exercise close supervision over the work quality of our subcontractors because, pursuant to either the contract or applicable laws, we remain liable to the project owners for our subcontractors' performance. Pursuant to the contracts with our subcontractors, if their work quality does not reach a certain standard, we are normally entitled to request the subcontractors to rectify at their own cost and without any delay to the completion of the project, and also take responsibility for any damage caused. Furthermore, in the event that our subcontractors cause delays to the completion of our projects, depending on the circumstances of the delay, we may be entitled to request a late payment from the subcontractors, or even the right to terminate the contract.

We generally arrange progress payments with subcontractors based on our customers' progress payments. Due to our more stringent financial control measures that we enacted for project slowdowns, we will delay payments to subcontractors when we experience payment delays from our customers.

Generally, we are offered credit terms by our subcontractors, which include making progress payments to our subcontractors on a monthly basis. We usually retain 5% of the total contract value as a quality guarantee deposit, which serves as a compensation for any defect arising during the warranty period, which is generally six to 24 months from the issue date of the project completion certificate. After expiry of the warranty period, we will refund the quality guarantee deposit to the subcontractors.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the subcontracting costs amounted to RMB377.5 million, RMB109.3 million, RMB84.4 million and RMB38.3 million, respectively, accounting for 35.3%, 8.9%, 5.5% and 7.9% of our total cost of sales. During the Track Record Period and up to the Latest Practicable Date, we did not incur any significant damages, penalties or other liabilities arising from the misconduct or breach of contract by our subcontractors.

Our five largest suppliers and subcontractors are all Independent Third Parties. To the knowledge of our Directors, none of the Directors, the Supervisors, their respective associates or any of our Shareholders holding more than 5% of our issued capital, owned any interest in any of our five largest suppliers and subcontractors as of the Latest Practicable Date.

The following table sets forth the details of our five largest suppliers during the Track Record Period:

	Principal business	Amount of purchase (RMB'000)	Percentage of total purchases
Year ended December 31, 2016			
Supplier A	Manufacturing, processing and sales of components of machinery and equipment	71,890	4.8%
Supplier B	Manufacturing, processing and sales of components of machinery and equipment	71,116	4.8%
Supplier C	Construction works for housing, municipal public utilities, environmental protection facilities, water conservancy and hydropower, landscaping, mechanical and electrical equipment installation etc.	48,477	3.3%
Supplier D	Manufacturing, processing and sales of components of machinery and equipment	47,428	3.2%
Supplier E	Construction works for housing	47,165	3.2%
Total	—	**286,076**	**19.3%**
Year ended December 31, 2017			
Supplier A	Manufacturing, processing and sales of components of machinery and equipment	238,115	12.0%
Supplier B	Manufacturing, processing and sales of components of machinery and equipment	143,299	7.3%
Supplier D	Manufacturing, processing and sales of components of machinery and equipment	99,129	5.0%

	Principal business	Amount of purchase (RMB'000)	Percentage of total purchases
Supplier F	Manufacturing, processing and sales of components of machinery and equipment	62,551	3.2%
Supplier G	Manufacturing, processing and sales of components of machinery and equipment	55,949	2.8%
Total		**599,043**	**30.3%**
Year ended December 31, 2018			
Supplier A	Manufacturing, processing and sales of components of machinery and equipment	124,725	7.2%
Supplier B	Manufacturing, processing and sales of components of machinery and equipment	112,850	6.5%
Supplier D	Manufacturing, processing and sales of components of machinery and equipment	79,666	4.6%
Supplier H	Manufacturing, processing and sales of components of machinery and equipment	54,234	3.1%
Supplier I	Sales of structural steel, metal materials, machinery and equipment	39,967	2.3%
Total		**411,442**	**23.7%**
Four months ended April 30, 2019			
Supplier B	Manufacturing, processing and sales of components of machinery and equipment	22,251	3.6%
Supplier D	Manufacturing, processing and sales of components of machinery and equipment	20,604	3.3%
Supplier J	Construction works for housing	19,195	3.1%
Supplier K	Construction works for housing	16,679	2.7%
Supplier H	Manufacturing, processing and sales of components of machinery and equipment	15,854	2.5%
Total		**94,583**	**15.1%**

SALES AND MARKETING

Sales Procedure

We rely on our in-house sales and marketing team to market and sell our PC units in the PRC. We sold all of our PC units in the PRC during the Track Record Period and did not directly export our products overseas. To the best of our knowledge, our clients further exported our prefabricated villa products overseas to the countries and regions of Suriname, France, Pakistan, Palau and Saipan. We have local marketing teams in cities where our wholly-owned PC factories are located. Generally, one marketing executive, one designer and one engineer are grouped to serve on each particular project.

We approach clients to pitch projects. The local marketing team will keep constant contact with local developers, constructors and government to pitch projects with such clients.

For our PC unit manufacturing and construction contracting business, we participate in tenders to win contracts. Our sales marketing team will search for tender opportunities in the market. We are also approached by clients to invite us to bid for their construction projects. The tender procedures are frequently used for government supported projects as well as other large scale construction projects. During the Track Record Period, almost half of our PC unit sales contracts (in terms of number of projects) were secured through the public tender process and we did not attend tendering for the construction contract project.

The sales of PC equipment to the Joint Factories are part of our joint venture arrangement under Broad Homes United Program and thus we do not separately maintain a sales and marketing team for sales of PC equipment.

During the Track Record Period, we only attended bidding process for our PC unit manufacturing business[(1)]. The table below sets forth the number of bids submitted for tendering, the number of projects secured through tender process and the tender success rate for the indicated periods:

	Year ended December 31,			Four months ended April 30,
	2016	**2017**	**2018**	**2019**
Number of bids submitted for tendering	81	224	532	97
Number of projects secured through tender process	43	82	212	42
Tender success rate[(2)]	53.1%	36.6%	39.8%	43.3%

Notes:

(1) In order to focus on PC unit manufacturing and PC equipment manufacturing business, we did not participate in any bidding process for our construction contracting business; we did not participate in any bidding process for our PC equipment manufacturing business as substantially all of our PC equipment was sold to the Joint Factories.

(2) Our tender success rate is calculated based on the total number of projects we secured through the public tender process to the total number of projects that we participated in a tender process to bid for.

Our sales agreements of PC units and PC equipment typically include provisions of payment, transportation, delivery, acceptance, warranty and training.

Pricing

For the sale of PC units, most of our contracts are awarded and carried out based on a predetermined unit price with a predetermined timetable for project completion. Our bids are therefore prepared on such basis. The price of our PC unit products is determined based on our cost of raw materials, labor cost and transportation cost floating by a reasonable margin with reference to the market price or the guidance price issued by the local government in certain region. As the prices of major raw materials and the design requirements of buildings vary in different regions, prices of our PC units may vary by regions accordingly. The prices of some raw materials are sensitive to the fluctuations of market prices. As such, certain of our contracts contain a price adjustment clause that will trigger a price adjustment in case the market price of raw materials (generally cement and rebar) is increased beyond a certain percentage (generally 5%). However, some of the contracts did not contain such price adjustment clause, and thus we are not entitled to adjust the price unless otherwise agreed by parties. In order to mitigate any risk that may arise from the significant subsequent increase of the price of raw materials, we plan to (i) enter into more contracts containing the price adjustment clause;

and (ii) initiate a separate negotiation with the counter parties for price adjustment in case of significant increase of price of raw materials.

For the sale of PC equipment, we take into account our cost of production and the added value of our services provided together with our equipment. Such services mainly include installation and debugging and after-sale service and production management training. Normally we will enter into a separate sales agreement with the Joint Factories to set out the selling price for the PC equipment.

For construction contracting, most of our contracts for construction contracting business are awarded and carried out on a predetermined-price basis with a predetermined timetable for project completion. Our bids are therefore prepared on such basis. We normally consider the total construction cost of the project and services we provided in relation to the project when determining the price for the project. For construction contracting business, we are generally required to commit to providing all of the resources required to complete a project for a predetermined sum. Certain contracts contain a price adjustment clause to cover increased costs of raw materials and consumables used. In general, a price adjustment clause requires us to bear the increased costs up to a certain percentage (generally 5%) of market prices of raw materials and consumables used at the time of the bid before the client covers the excess costs. Estimating the costs involved in a predetermined-price contract is crucial to the profitability of our general contracting business. We carefully estimate the costs of a project prior to submission of our bid. Our estimates rely on both the project owners' estimates of required materials and our own experience in estimating project costs. There are a number of factors that can influence the final project costs as compared to the original bidding price. The most important factors include delay in timetable, change in design, pricing of raw materials, geological conditions of construction site and weather conditions.

Credit Policy

We provide credit terms to our customers in the form of progress payments.

For the sale of PC units, we normally require our client to prepay around 20% of the total contract price when entering into the contract. 50%-65% of the total contract price shall be settled on a monthly basis pursuant to the delivery progress of products and another 10%-30% shall be settled after roofing of the building. 3%-5% of the total contract price will be retained by the client as warranty deposit and will be paid to us upon expiration of the warranty period, which normally takes place one to two years after the acceptance.

For the sale of PC equipment, we generally require a Joint Factory to prepay 50% of total price for the equipment when entering into of the contract, 30% upon completion of manufacturing, and 15% upon completion of installation and acceptance at the factory. 5% of the total price for the equipment is retained as warranty deposit and will be paid to us upon expiration of the warranty period, which normally takes place one year after the acceptance.

For the construction contracting, we normally require our client to pay no more than 5% to 20% of the total contract price before the commencement of constructions. Approximately 50% to 75% of the total contract price shall be settled based on the amount of work completed during the construction period and around 15% to 25% (mostly 15%) of the total contract price shall be settled after the final acceptance of the projects that we acted as the general contractor. 5% of the total contract price will be retained by the client as warranty deposit and will be paid to us upon expiration of the warranty period, which normally takes place two to five years after the acceptance.

Product Delivery

We are generally responsible for the delivery of PC units to the construction site through road transportation. Usually, our PC units are delivered in batches according to the construction progress of the project. Upon delivery at site, the representatives from the client and/or the general contractor of the project inspect the products, and confirm the acceptance. We subcontract the transportation of PC units to transport companies for transportation of our PC units from our factory to the construction sites.

The transportation of equipment is generally conducted by OEM service providers. Upon arrival of the equipment at the Joint Factories, we are responsible for installing and debugging the equipment and ensuring the proper operation of the production lines.

Customer Services

We offer warranties to our client on PC units and PC equipment we sold as well as the projects we undertook as a construction contractor. The warranty period for our PC units varies from one to two years based on the agreement and there is no legal requirement with respect to the length of the warranty period under the PRC law. The warranty period for our PC equipment is one year after the confirmation of acceptance by the clients. The warranty period for our construction contracting business is two to five years after the construction work completion and inspection.

We make provisions for warranty payments based on sales volume and past experience of the level of repairs and returns. We can make provisions for warranty payments when a claim against a warranty is made. We will continue to review any material deviation in historical cost figures in order to appropriately adjust our provision for warranty payments.

We shall be liable for the defects of our PC units and PC equipment sold, if any. We are entitled to recover our loss from the suppliers if the product defects are due to the reason of the suppliers. During the Track Record Period, we did not receive any material product returns or make any large-scale product recalls due to any quality defects, and we did not have any material warranty claims on our products and services which would have a material and adverse effect on our business and results of operations. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we incurred RMB4.9 million, RMB5.7 million, RMB2.6 million and RMB11.8 million for the after sale service carried out during the warranty period.

In addition to our products, we offer services and trainings to our clients. For our clients of PC unit products, we attend to the assembling of our products so as to provide instructions and guidance; and for the Joint Factories who are also our clients for PC unit equipment, we provide services of installation and debugging and production management system trainings.

CLIENTS

Our major clients are real estate developers, government investment vehicles, construction companies in the PRC in PC unit manufacturing business and construction contracting business, and the Joint Factories in PC equipment manufacturing business. We maintain good relationships with these clients. In addition, we have solid cooperative relationships with top-notch PRC property developers, such as Hefei Vanke, Chenzhou Country Garden, and Hefei Gemdale and large-scale construction companies, such as China State Construction, which enable us to secure stable and large-scale orders. In particular, we have built up a long term relationship for over three years with Vanke.

As of April 30, 2019, we had provided our products and services to nearly 300 clients, including, among others, eight real estate developers which are listed among the top 10 PRC real estate developers (according to Frost & Sullivan, in terms of saleable area in 2017), such as Chenzhou Country Garden and Hefei Vanke, and six construction companies which are listed among top 10 PRC construction companies (according to Frost & Sullivan, in terms of aggregate amount of contract value in 2017), such as China Construction; and around 50 local government investment vehicles. We have a specialized team to manage and maintain our relationship with these strategic clients. Through years of cooperation, we have earned reputation and built up long-term relationships with these strategic clients, from whom we are able to secure relatively stable orders for our PC units.

The following table sets forth the details of our five largest customers during the Track Record Period:

	Principal business	Amount of revenue (RMB'000)	Percentage of total revenue
Year ended December 31, 2016			
Customer A[3]	Housing management	167,680	10.0%
Customer B[1]	Real estate development and management	162,458	9.7%
Customer C[3]	Real estate development and management	160,354	9.6%
Customer D[3]	Real estate development and management	99,107	5.9%
Customer E[3]	Real estate development and management	88,441	5.3%
Total	—	**678,040**	**40.6%**
Year ended December 31, 2017			
Customer F[3]	Housing construction	90,281	4.7%
Customer G[2]	Manufacturing, processing and sales of precast concrete	78,634	4.1%
Customer H[3]	Housing construction	77,958	4.0%
Customer I[2]	Manufacturing, processing and sales of precast concrete	66,634	3.4%
Customer J[3]	Real estate development and management	65,252	3.4%
Total	—	**378,759**	**19.6%**
Year ended December 31, 2018			
Customer K[2]	Manufacturing, processing and sales of precast concrete	109,545	4.8%
Customer L[2]	Manufacturing, processing and sales of precast concrete	90,688	4.0%
Customer M[2]	Manufacturing, processing and sales of precast concrete	90,565	4.0%
Customer N[2]	Manufacturing, processing and sales of precast concrete	87,320	3.8%
Customer O[2]	Manufacturing, processing and sales of precast concrete	86,269	3.8%
Total	—	**464,387**	**20.5%**

	Principal business	Amount of revenue (RMB'000)	Percentage of total revenue
Four months ended April 30, 2019			
Customer P(2)	Manufacturing, processing and sales of precast concrete	94,097	14.6%
Customer Q(2)	Manufacturing, processing and sales of precast concrete	84,028	13.0%
Customer C(3)	Real estate development and management	42,415	6.6%
Customer R(2)	Manufacturing, processing and sales of precast concrete	38,585	6.0%
Customer S(3)	Construction works for housing	23,158	3.6%
Total		**282,283**	**43.7%**

Notes:

(1) Customer B is a subsidiary of Broad Lingmu and therefore a connected person of our Company.

(2) This customer is a Joint Factory.

(3) This customer is an Independent Third Party.

None of our five largest customers during the Track Record Period was also our supplier. Save as disclosed in this prospectus, our five largest customers are Independent Third Parties. During the Track Record Period, we did not have any material disagreement or dispute with any of our customers. Save as disclosed in this prospectus, to the knowledge of our Directors, none of the Directors, the Supervisors, their respective associates or any of our Shareholders holding more than 5% of our issued capital, owned any interest in any of our five largest customers as of the Latest Practicable Date.

QUALITY CONTROL

We are committed to designing and manufacturing quality products. To this end, we implement rigorous quality control measures throughout our production process. We have established a quality management system pursuant to the situation of our Company and have enhanced the system according to the requirements of International Standardization Organization. We have also obtained and maintained the ISO9001:2015 certifications for our quality management system. The whole process quality management system we adopted monitors the quality of our products in each step, including the delivery of design, raw material examination, production process and delivery of products. We have set target levels for pass rate in different stages, including a raw material pass rate (calculated as the proportion of the number of satisfactory raw materials received to the total number of raw materials received) of 99.5% and a product pass rate (calculated as the proportion of the number of satisfactory PC units produced to the total number of PC units produced) of 99.9% of our ultimate product.

To ensure the quality of raw materials and our products, each of our factories has established a standard laboratory of precast concrete to test the quality and functions of the raw materials and products. We also have a quality management department to conduct the overall control and management of product quality.

We manage the quality of our PC equipment through the selection of suppliers and inspection of equipment delivered by such suppliers. We have compiled specifications and standards for the equipment and inspect and debug the equipment to ensure its quality upon delivery. For details, please refer to the section headed "—Supply".

We have obtained and maintained ISO9001:2015 and GB/T 50430-2007 certificates for our construction contracting business. Such certificates have a validity period of three years. We also manage the quality of our construction projects through the selection of subcontractors, raw material inspections, onsite inspections and rectifications.

HEALTH, SAFETY AND ENVIRONMENT MATTERS

Safety

We are committed to our health, safety and environmental protection standards and regularly review our systems to ensure that they are adequate for our business operations.

We regard occupational health and safety as one of our important social responsibilities. Our business operations involve mechanical processes, use of electricity, welding, heavy lifting, loading and transportation process. As a result, our employees may face risks of various work-related injuries and accidents. We place significant emphasis on safety control to minimize incidents during our manufacturing process that could result in injuries or fatalities. We have a safety management system in place and have set up a production safety management committee to advise and review the workplace safety procedures. We impose safety measures at our operations including, without limitation, the purchase, installation and operation of new equipment, as well as construction and assembling at construction site. Management personnel at all levels are responsible to supervise safety management in their own business sectors. We have also issued safety regulations and guidelines including Safety Management Protocol, Production Safety Management Guideline and Occupational Health Management Guideline to educate our employees to achieve production safety. In addition, trainings to all employees about production safety management are provided on a regular basis to ensure safe production.

During the Track Record Period, three safety incidents and one traffic accident occurred at our wholly-owned factories, of which each resulted in the death of one worker. The safety incidents were due to workers' violation of internal operation rules. No legal claims or proceedings were raised in connection with these incidents nor were any penalties imposed by governmental authorities. After the incidents, we reached the compensation agreements with the family of the workers and had paid voluntary compensation in addition to legal compensation to the family of the workers. The total compensation amounted to approximately RMB3.7 million and had been fully settled as of the Latest Practicable Date. Considering that (i) the incidents were exceptional; (ii) the total compensation amount was minimal and fully settled; and (iii) no legal proceedings or claims were raised nor any penalties were imposed, we believe there was no material impact on our Group nor is there any on-going liabilities in relation to the incidents. After the occurrence of such incidents, we reinforced the safety trainings by providing various training courses to employees at different levels, such as management, team leaders of production teams, frontline workers and new employees. The training courses include operation safety training, transportation safety training, fire prevention training and safety training for on-site assembling which cover various aspects of the working process. Moreover, we reinforced the implementation of our safety system in the daily operation of our factories through stricter regular security checks.

As advised by our PRC Legal Advisers and based on the certification issued by relevant safety production supervision, (i) we were in compliance with the production safety laws and regulations in material aspects for our operation; and (ii) we have not been fined by relevant departments due to any significant safety incident during the Track Record Period.

Environment Matters

Our production facilities are subject to various environmental laws and regulations promulgated by national and local governments with respect to noise and air pollution and the disposal of waste and hazardous materials. During the plant construction stage, we endeavor to comply with the "Three Same Time" requirements ("環保設施和職業病防護設施'三同時'要求") pursuant to the Environmental Protection Law of the PRC (中華人民共和國環境保護法) regarding environmental protection facilities and occupational hazard prevention facilities, which require that these facilities must be designed, constructed and put into use at the same time as the main project itself.

We do not operate in a highly polluting industry and our production technologies and processes do not involve heavy pollution. However, we regard environmental protection as an important corporate responsibility and therefore place great emphasis on environmental protection measures and policies in our daily operations. We do not utilize raw materials that cause high pollution to the environment and in the meantime, sedimentation basin has been introduced to recycle water. We recycle wastes of dust and water emitted during our business operation. We have established and implemented various internal control measures regarding environmental compliance and pollution controls.

In September 2018, as the ammonia nitrogen and concentration of phosphorous contained in the emission waste water was beyond the permitted level, Guangzhou Broad, our wholly-owned subsidiary, was ordered by the local environmental protection authorities to rectify the misconduct and was fined RMB669,600. As of the Latest Practicable Date, Guangzhou Broad had fully paid the fine and passed the re-examination conducted by local environmental protection authorities.

The occurrence of the incident was primarily attributable to (i) the lack of environment protection awareness among the management team of Guangzhou Broad; (ii) the fact that the production technology, especially the waste water treatment technique, adopted by Guangzhou Broad, was obsolete; and (iii) the fact that no property sewage treatment measures were adopted by Guangzhou Broad. We took this incident seriously, and have adopted several rectification measures as follows: (i) dismissing the general manager of Guangzhou Broad; (ii) upgrading the production technology adopted by Guangzhou Broad and enhancing its management; (iii) reinforcing the environmental protection and safety management of all of our factories, explicitly prohibiting the use of techniques which may be hazardous to the environment in the production of PC units and requiring all of our production facilities to achieve zero waste water discharge; and (iv) conducting inspection of the production process of our wholly-owned PC factories to ensure no occurrence of similar incidents.

On the basis that (i) the relevant competent environmental protection authority has issued a letter confirming that Guangzhou Broad has rectified its non-compliance; (ii) the amount of fine is relatively small and has been paid off; and (iii) such incident does not constitute a serious violation of the Water Pollution Prevention and Control Law (《水污染防治法》) based on the letter issued by relevant competent environmental protection authority, our PRC Legal Advisers are of the view that the incident above will not have a material adverse effect on our overall production and operation.

As advised by our PRC Legal Advisers, save as disclosed above, we have not been imposed of any administrative penalties with an amount of over RMB100,000 in breach of environmental protection laws and regulations in the PRC during the Track Record Period.

INVENTORY

Our inventory primarily includes raw materials, unfinished goods and finished goods. Our raw materials mainly include cement, sand, rebar, insulation materials and superplasticizers. Work in progress primarily refers to PC units which are under production process and PC equipment under installation. Finished goods primarily refers to finished PC units.

We use PC-CPS to manage our inventory of PC units manufacturing. Due to our PC-CPS, which allows our production to be driven by the demand of our clients, which are based on the construction progress of our client's projects, we are able to minimize our inventory of raw materials and finished goods. We normally maintain the inventory for major raw materials at a minimal level to balance our manufacturing requirements and our purchasing efficiency as they are easy to purchase and soon to arrive. We also maintain the inventory of the finished goods at the level where they can serve the construction needs of our clients to construct one typical floor of a building. We monitor our inventory level through PC-CPS regularly to ensure the minimal level of inventories to the extent sufficient. Keeping low level of inventory enables us to save spaces for production, release our cash flows and, most importantly, mitigate the risks and damages which may arise from the delay and/or suspension of construction progress by our clients' projects, since all of our products are tailor-made for the particular project and cannot be reused for other projects.

SEASONALITY

Our business is affected by the seasonality. As advised by Frost & Sullivan, workforce shortage generally occurs during the Chinese New Year's holiday, and cold weather negatively impacts the construction activity. Consequently, the new floor area of construction projects in the first quarter is generally at the lowest level in the entire year, which results in lower market demand of PC units. In addition, our PC equipment manufacturing business may also experience longer lead time and delay in installation and commissioning as a result of the Chinese New Year's holiday and cold weather. As such, we usually record the lowest quarterly sales in the first quarter due to the Chinese New Year's holiday and cold weather in the entire year.

We anticipate that the seasonality of our PC unit manufacturing business, PC equipment manufacturing business and construction contracting business will continue in the following years. For PC unit manufacturing business and PC equipment manufacturing business, we will overcome the impact of seasonality by improving the production efficiency continuously and utilizing the off season to conduct examination and overhaul of our production line.

INTELLECTUAL PROPERTY RIGHTS

Trademarks

As of April 30, 2019, we owned 126 registered trademarks, among which 33 are material to our business, among which four were jointly owned with third parties. Please refer to the section headed "Appendix VIII—B. Further Information about Our Business—2. Intellectual Property Rights—Trademarks" for more details.

Patents

As of April 30, 2019, we owned 515 patents, among which 51 are material to our business and 59 patents were jointly owned with third parties. We also had 439 pending patent applications as of

April 30, 2019. Please refer to the section headed "Appendix VIII—B. Further Information about Our Business—2. Intellectual Property Rights—Patents" for more details.

As of the Latest Practicable Date, we had one outstanding legal proceeding against us (the "**Patent Legal Proceeding**"). In 2017, a plaintiff (the "**Plaintiff**"), who is an Independent Third Party, filed a legal proceeding with the Intermediate People's Court of Changsha, Hunan Province, alleging that we had infringed his invention patent, namely Integrated Load-bearing and Thermal Insulation Wall Panel and its Production and Construction Process (整體承重保溫牆板及其生產建築工藝) (the "**Patent**"). On December 17, 2018, the Intermediate People's Court of Changsha, Hunan Province made the decision to reject the Plaintiff's claim. On January 25, 2019, the Plaintiff filed the petition for appeal with the High People's Court of Hunan Province (the "**Appeal**"). The Patent is in relation to production of load-bearing and thermal insulation wall panel (the "**Product**"), which is one of our products.

In 2016, the Plaintiff filed a complaint to the Intellectual Property Office of Xinxiang, Henan Province (the "**Xinxiang IP Office**") against one Joint Factory (the "**Yuanyang Joint Factory**") in Yuanyang, Henan Province, which produces, sells and promotes the Product, alleging that the Product was in infringement of the Patent which is owned by the Plaintiff. The Xinxiang IP Office made a patent administration decision and rejected the Plaintiff's claim (the "**Administrative Decision**"). In 2017, the Plaintiff filed a legal proceeding against the Xinxiang IP Office in court to overturn the Administration Decision and the court rejected the claim. The Plaintiff then appealed to the higher court and the higher court upheld the decision and rejected the claim as well. The Yuanyang Joint Factory was named as the third party in both proceedings filed by the Plaintiff against the Xinxang IP Office. In the same year, the Plaintiff filed a legal proceeding with the Intermediate People's Court of Zhengzhou, Henan Province against the Yuanyang Joint Factory alleging the same claim. The Intermediate People's Court of Zhengzhou, Henan Province made the decision to reject the Plaintiff's claim and the Plaintiff appealed the decision. The High People's Court of Henan Province made the final decision to reject the Plaintiff's claim.

Given that (i) the Plaintiff alleged the similar claim for similar reasons in the Patent Legal Proceeding as those in the administration proceedings filed with Xinxiang IP Office in 2016 and the legal proceedings initiated by the Plaintiff against the Xinxiang IP Office in 2017 (together "**the Xinxiang Proceedings**"), which was rejected by Xinxiang Office and the courts (both intermediate court and high court) in Henan Province, respectively; (ii) the legal proceeding initiated by the Plaintiff against Yuanyang Joint Factory, in which the Plaintiff alleged the similar claim for similar reasons in the Patent Legal Proceeding, was also rejected by the Intermediate People's Court of Zhengzhou, Henan Province as well as the High People's Court of Henan Province; and (iii) in the Patent Legal Proceeding, the Intermediate Court People's Court of Changsha, Hunan Province made the decision to reject the Plaintiff's claim, our Directors, after due and careful consideration, consider that we are likely to prevail in the Appeal and outcome of the Appeal, whether in favor of or against us, will not have any material adverse effect on our business, financial condition or results of operations given the damage claimed by the Plaintiff was minimal (i.e. RMB10,000) and only involving one of our products.

Software Copyrights

As of April 30, 2019, we owned eight pieces of registered software copyrights that are material to our business. Please refer to the section headed "Appendix VIII—B. Further Information about Our Business—2. Intellectual Property Rights—Software Copyrights" for more details.

Domain Names

As of April 30, 2019, we had registered two domain names that are material to our business, being www.bhome.com.cn and www.bhouse.com. Please refer to the section headed "Appendix VIII—B. Further Information about Our Business—2. Intellectual Property Rights—Domain Names" for more details.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we were not involved in any other proceedings with regard to, and we have not received notice of any claims of, infringement of any intelligent property rights that may be threatened or pending in which we may be involved either as a claimant or respondent, which may in turn materially and adversely affect our business, financial position and results of operations.

LICENSES AND QUALIFICATIONS

As our principal businesses are carried out in the PRC and are subject to its relevant laws and regulations, we are required to obtain or renew all necessary business licenses to conduct business. During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable regulatory requirements and guidelines in the places where we operate in all material respects, and had obtained the business licenses necessary for our operations in accordance with the laws thereof.

As of the Latest Practicable Date, we owned approximately 30 licenses and qualifications in relation to our business operations. The table below sets out details of the material licenses and qualifications applicable in our business operations:

No.	Name of Licenses/Qualifications	Holder of Licenses/ Qualifications	Granting Institution(s)	Granting Date	Expiration Date
1	Class A Qualification in Construction Engineering (建築工程甲級資質)	Hunan Broad Engineering Design Co. Ltd.* (湖南遠大工程設計有限公司)	Hunan DOHURD	October 19, 2015	October 19, 2020
2	Class B Qualification in Landscape Design (風景園林工程設計專項乙級資質)	Hunan Broad Engineering Design Co. Ltd.* (湖南遠大工程設計有限公司)	Hunan DOHURD	January 27, 2016	January 27, 2021
3	Class C Qualification Certificate for Preparing Urban-Rural Planning (城鄉規劃編製資質證書丙級)	Hunan Broad Engineering Design Co. Ltd.* (湖南遠大工程設計有限公司)	Hunan DOHURD	May 4, 2015	December 30, 2019
4	First-Grade Construction Contracting for Construction Projects (建築工程施工總承包一級)	Hunan Broad Construction Industrial Co., Ltd.* (湖南遠大建工股份有限公司)	MOHURD	April 26, 2016	April 26, 2021

No.	Name of Licenses/Qualifications	Holder of Licenses/ Qualifications	Granting Institution(s)	Granting Date	Expiration Date
5	Second-Grade Qualification for Professional Contracting of Groundwork & Foundation Engineering (地基基礎工程專業承包二級)； Third-Grade Qualification for Professional Contracting of Steel Structure Engineering (鋼結構工程專業承包三級)； First-Grade Qualification for Professional Contracting of Building Renovation & Decoration Engineering (建築裝修裝飾工程專業承包一級)；Third-Grade Qualification for Professional Contracting of Building Electrical & Mechanical Installation Engineering (建築機電安裝工程專業承包三級)	Hunan Broad Construction Industrial Co., Ltd.* (湖南遠大建工股份有限公司)	Hunan DOHURD	March 24, 2016	March 24, 2021
6	High-tech Enterprise Certificate (高新技術企業證書)	Our Company	Hunan Provincial Science and Technology Department , Hunan Provincial Department of Finance, Hunan Provincial Tax Service, State Administration of Taxation, Hunan Local Taxation Bureau	December 1, 2017	November 30, 2020

With respect to the above licenses and qualifications that will expire within 2019, we intend to remain in satisfactory of requirement for renewal of licenses and qualifications and renew such licenses and qualifications with the relevant government authorities prior to their expiration. As advised by our PRC Legal Advisers regarding the requirements for renewal of licenses and qualifications under the relevant PRC laws and regulations, we do not expect any material legal impediments in renewing such licenses and qualifications.

COMPETITION

During the Track Record Period, substantially all of our revenue was generated from our operations in the PRC. We compete in the domestic market with various competitors in different areas, which may have resources of long-term customers and/or local connections. For details, please refer to the section headed "Risk Factors—Risks Relating to Our Business and Industries—We face intensive competition in the industry of the PRC."

We are the largest PC unit manufacturer in the PRC in terms of revenue in 2018 with a market share of 13.0%, according to Frost & Sullivan. Our major competitors of PC unit manufacturing include Shanghai Construction Group Co., Ltd.* (上海建工集團股份有限公司), China Construction Group Co., Ltd.* (中國建築集團有限公司), Beijing Housing Industrialization Group Co., Ltd.* (北京市住宅產業化集團股份有限公司), and China Minsheng Drawin Technology Industry Group* (中民築友科技產業集團). We compete with our competitors on technical capability, quality and efficiency of design and production, experiences, management system, human resources and systematic support capabilities. The entry barriers of PC unit manufacturing business include technology, capital, digitized management and talent barriers.

We are also the largest PC equipment manufacturer in the PRC in terms of revenue in 2018 with a market share of 38.3% according to Frost & Sullivan. Our major competitors of PC equipment manufacturing include Sany Group Co. Ltd. (三一集團有限公司), Hebei New Land Electromechanical Manufacturing Co. Ltd. (河北新大地機電製造有限公司), Ebawe Company Ltd. (艾巴維有限公司) and Shandong Tianyi Machinery Co., Ltd. (山東天意機械股份有限公司) according to Frost & Sullivan. We compete with our competitors on technical capability and experience in the prefabricated construction industry, design capability, human resources and systematic support capabilities. The entry barriers of PC equipment manufacturing business include technology, experience, brand and client relationship barriers.

AWARDS AND ACCREDITATIONS

As of April 30, 2019, we had received several awards and accreditations from various local governments and organizations as a recognition of our achievements and contributions to the construction industry and the excellent quality of our products. The following table sets forth some of the major awards and accreditations we received.

Year	Award/Accreditation	Awarding Organization
2007	National Housing Industrialization Base (國家住宅產業化基地)	MOC
2013	Changsha Enterprise Technology Center (長沙市企業技術中心)	Development and Reform Commission of Changsha City
2013	Member of the NPCA	NPCA
2013-2014	Top Ten Chinese Science and Technology Innovation and Good Quality Demonstration Enterprise (中國科技創新質量創優十佳示範單位)	The Brand Strategy Experts Working Committee of China High Technology Industrialization Research Committee (中國高科技產業化研究會品牌戰略專家工作委員會)
2013	National Hundred Excellent Enterprise in Building Materials (全國建材行業百家優秀企業)	China Building Materials Federation (中國建築材料聯合會)
2013	Member of the China Building Materials Federation (中國建築材料聯合會會員) (valid for 5 years)	China Building Materials Federation (中國建築材料聯合會)

Year	Award/Accreditation	Awarding Organization
2013	The Elite Science and Technology Award—Green Technology Excellent Products Award (精瑞科學技術獎—綠色技術產品優秀獎)—the Apartment Building Project of the Institute of Advanced Technology, University of Science and Technology of China (中國科技大學先進技術研究院公寓樓工程)	The Elite Science and Technology Award Committee (精瑞科學技術獎獎勵委員會)
2014	Hunan Science and Technology Progress Award (湖南省科學技術進步獎)	People's Government of Hunan Province
2014	National Comfortable Housing Demonstration Project (國家康居示範工程)—"Zhangjiajie Blue Bay Projects" (張家界藍色港灣) and "Ningxiang Broad Blue Bay Projects" (寧鄉遠大藍色港灣)	MOHURD
2016	Hunan Enterprise Technology Center (湖南省企業技術中心)	
2016	Subcategory of International Carbon-Value Award—Ecological Practice Award (國際碳金分項獎—生態實踐獎)	World Economic and Environmental Conference
2016	Model Enterprise of Intelligent Manufacturing Pilot in Changsha (長沙市智能製造試點示範企業)	People's Government of Changsha City
2016	Model Enterprise of Technology Innovation in Changsha (長沙市技術創新示範企業)	Bureau of Finance of Changsha City and Changsha Economic and Information Commission
2017	Award of Product Innovation (產品創新獎) (the first batch in Hunan Province)	People's Government of Hunan Province
2017	Hunan Industrial Design Center (湖南省工業設計中心)	Economic and Information Committee of Hunan Province
2017	National Prefabricated Building Industrialization Base (國家裝配式建築產業基地)	MOHURD
2018	"First-Choice Brand" in Prefabricated Construction	Chinese Real Estate Association and China Real Estate Appraisal Center
2018	Pilot Demonstration Project of Intelligent Manufacturing 2018 (2018年智能製造試點示範項目)	MIIT
2018	Model Enterprise of Technological Innovation in Prefabricated Building in China (中國裝配式建築科技創新典範企業), Prize of Temple of Heaven for Prefabricated Construction in China (中國裝配式建築天壇獎)	China Real Estate News, China Think Tanks and China Real Estate Business Academy* (中國房地產報研究院)

PROPERTIES

Land Use Right

As of April 30, 2019, we had 14 parcels of land in the PRC with a site area of approximately 810,697.5 sq.m., which were mainly for the purposes of manufacturing or research and development. We had obtained valid land use right certificates of the these parcels of land; and are entitled to occupy, use, sell, transfer, lease, charge, or dispose of the land use rights according to specific terms of the land use permits. As of April 30, 2019, we pledged the land use right of seven parcels of land (with a site area of approximately 563,559.6 sq.m.) as security for our loans, which as advised by our PRC Legal Advisers, would not constitute an legal impediment to the Global Offering and Listing.

In addition, as of April 30, 2019, we leased six parcels of land in the PRC, with a site area of approximately 70,866.0 sq.m., which were mainly for the purposes of manufacturing or research and development. The lessors hold valid land use right certificates of these parcels of land except for one parcel of land for which the lessor could not provide valid land use right certificate. However, based on the fact that (i) such parcel of land only accounts for approximately 3.4% of all the parcels of land in use by us in terms of site area; (ii) we used such parcel of land for storage purpose; and (iii) the leases for such parcel of land contained the provisions to require the lessor to indemnify us for any losses caused by the validity of the land use right, our Directors are of the view that (i) we would be able to identify alternative land at a reasonable cost locally if our use of such parcel of land were affected; and (ii) the absence of valid land use right of such parcel of land will not have a material adverse impact on our business operation. On July 12, 2019, the Controlling Shareholder undertook that, in the event of defects in land use rights, it will fully compensate us for any legal liabilities, charges, taxes, expenses, damages or penalties to be borne by us, or any other losses that we may suffer due to inability to conduct normal production and operation as a result thereof.

Owned Properties

As of April 30, 2019, we owned 12 buildings or units with total gross floor area of approximately 244,948.2 sq.m. in the PRC with complete and valid building ownership certificates. As advised by our PRC Legal Advisers, we own the legal title of such properties and are entitled to occupy, use, transfer, lease, mortgage or otherwise dispose of such properties.

In addition, as of April 30, 2019, we had not obtained the building ownership certificates in respect of 14 buildings and units with a total gross floor area of 24,664.2 sq.m. (the "**Properties**"), which were primarily used as offices and staff housing. We had obtained the valid land use right certificates for the land occupied by the Properties. As of the Latest Practicable Date, we were in the process for applying for the building ownership certificates for the Properties. Based on the fact that (i) we have obtained the relevant land use right certificates, (ii) to the best of our knowledge, there are no disputes or claims arisen in relation to the Properties; and (iii) the Properties only accounted for approximately 5.2% of our properties in use in terms of gross floor area, our PRC Legal Advisers are of the view that the absence of building ownership certificates for the Properties will not have a material adverse impact on our production and operations individually or as a whole. Our PRC Legal Advisers further advise us that before we obtain the building ownership certificates, we are not entitled to dispose, transfer, lease or mortgage the Properties in accordance with the PRC laws and regulations. To the best of our knowledge, there are no safety issues with respect to the Properties. Based on the above, our Directors are of the view that (i) we would be able to identify alternative premises at a reasonable cost locally if our use of the Properties were affected; and (ii) the absence of building ownership certificates of the Properties will not have a material adverse impact on our business operation individually or as a whole.

As of April 30, 2019, we had entered into property purchase agreements with respect to various commercial units with a total gross floor area of 16,167.8 sq.m. and the consideration was fully settled. The properties are for investment purposes. Based on the above, our PRC Legal Advisers are of the view that there will be no material legal impediments for us to obtain the building ownership certificates with respect to these properties once the relevant application is duly made. Our PRC Legal Advisers further advise us that before we obtain the building ownership certificates, we are not entitled to dispose, transfer, lease or mortgage the properties in accordance with the PRC laws and regulations. To the best of our knowledge, there are no safety issues with respect to these properties. AVISTA

Valuation Advisory Limited, an independent property valuer, has valued these properties as of August 31, 2019. Please refer to the section headed "Appendix III—Property Valuation Report" for the full text of the valuation report.

Leased Properties

As of April 30, 2019, we leased 30 properties with a total gross floor area of 194,803.9 sq.m. in the PRC. Details of our leases are set out in the table below:

No.	Lessee	Lessor	Address	Use of property	Lease tenure
1	Company	Broad Lingmu Note 1	No. 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province	Office, production and research and development	January 1, 2019 to December 31, 2019
2	Lu'an Broad Homes Industrial Co., Ltd.* (六安遠大住宅工業有限公司)	Anhui Lanxiang Energy-saving Glass Company Limited (安徽藍翔節能玻璃股份有限公司) Note 2	Intersection of Yingbin Road and Shouchun Road, Economic Development Zone, Lu'an, Anhui Province	Factory	January 1, 2017 to June 30, 2019 Note 4
3	Lu'an Broad Homes Industrial Co., Ltd.* (六安遠大住宅工業有限公司)	Anhui Lanxiang Energy-saving Glass Company Limited (安徽藍翔節能玻璃股份有限公司) Note 2	Intersection of Yingbin Road and Shouchun Road, Economic Development Zone, Lu'an, Anhui Province	Dormitory Residence	January 1, 2017 to June 30, 2019 Note 4
4	Lu'an Broad Homes Industrial Co., Ltd.* (六安遠大住宅工業有限公司)	Anhui Lanxiang Energy-saving Glass Company Limited (安徽藍翔節能玻璃股份有限公司) Note 2	Intersection of Yingbin Road and Shouchun Road, Economic Development Zone, Lu'an, Anhui Province	Dormitory Residence	January 1, 2017 to June 30, 2019 Note 4
5	Broad Homes Industrial (Shanghai) Co., Ltd.* (遠大住宅工業（上海）有限公司)	Shanghai Linyuan Asset Management Company Limited (上海臨遠資產管理有限公司) Note 2	860 Xinyang Road, Fengxian District, Shanghai	Factory, research and development and exhibition	February 1, 2017 to January 31, 2022
6	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Senlong Machinery Manufacturing Company Limited (合肥森隆機械製造有限公司) Note 2	4301 Xiyou Road, Economic Development Zone, Hefei, Anhui Province	Production	August 10, 2016 to December 31, 2019
7	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Senlong Machinery Manufacturing Company Limited (合肥森隆機械製造有限公司) Note 2	4301 Xiyou Road, Economic Development Zone, Hefei, Anhui Province	Production	October 26, 2018 to December 31, 2019

No.	Lessee	Lessor	Address	Use of property	Lease tenure
8	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Senlong Machinery Manufacturing Company Limited (合肥森隆機械製造有限公司)Note 2	Factory No. 3, Intersection of Furong Road and Xiyou Road, Economic Development Zone, Hefei, Anhui Province	Production	August 1, 2016 to December 31, 2019
9	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Senlong Machinery Manufacturing Company Limited (合肥森隆機械製造有限公司)Note 2	Factory No. 20, Xiyou Road East (Furong Road North), Economic Development Zone, Hefei, Anhui Province	Office	December 31, 2018 to December 31, 2019
10	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Senlong Machinery Manufacturing Company Limited (合肥森隆機械製造有限公司)Note 2	Room 401-410, 4th Floor, Daosan Dormitory, Senlong Industrial Park, Hefei, Anhui Province	Dormitory Residence	August 15, 2018 to December 31, 2019
11	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Senlong Machinery Manufacturing Company Limited (合肥森隆機械製造有限公司)Note 2	Room 205-210, 2nd Floor, Daosan Dormitory, Senlong Industrial Park, Hefei, Anhui Province	Staff Dormitory	October 10, 2018 to December 31, 2019
12	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Senlong Machinery Manufacturing Company Limited (合肥森隆機械製造有限公司)Note 2	Room 301-310, 3rd Floor, Daosan Dormitory, Senlong Industrial Park, Hefei, Anhui Province	Dormitory Residence	September 20, 2018 to December 31, 2019
13	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Senlong Machinery Manufacturing Company Limited (合肥森隆機械製造有限公司)Note 2	Room 505-506 and Room 605, Unit 3, Dao'er Dormitory, Senlong Industrial Park, Hefei, Anhui Province	Dormitory Residence	March 23, 2019 to December 31, 2019
14	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Senlong Machinery Manufacturing Company Limited (合肥森隆機械製造有限公司)Note 2	Room 602, Room 606 and Room 401, Dao'er Dormitory, Senlong Industrial Park, Hefei, Anhui Province	Dormitory Residence	September 7, 2018 to September 6, 2019

No.	Lessee	Lessor	Address	Use of property	Lease tenure
15	Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司)	Hefei Dazhu Heavy Engineering Machinery Manufacturing Company Limited (合肥大築重型工程機械製造有限公司)Note 2	Baiting and Moulding Plant I-III and Outdoor Space, Intersection of Yungu Road and Qingluan Road, Xingang Industrial Park, Hefei, Anhui Province	Factory	January 1, 2019 to June 30, 2019Note 5
16	Changsha Broad Modular Bathroom Co., Ltd.* (長沙遠大整體浴室有限公司)	Broad LingmuNote 1	248 Yinshuang Road, Yuelu District, Changsha, Hunan Province	Factory	January 1, 2019 to December 31, 2019
17	Guangzhou Broad Homes Industrial Co., Ltd.* (廣州遠大住宅工業有限公司)	Guangzhou Panyu Yuwotou Standard Plastic Electronics Factory (廣州市番禺區魚窩頭標準塑膠電子廠)Note 2	6th and 3rd-4th Floor, Dormitory A, 49 Wantai Road, Dongchong County, Nansha District, Guangzhou, Guangdong Province	Dormitory Residence	October 1, 2018 to September 30, 2019Note 6
18	Guangzhou Broad Homes Industrial Co., Ltd.* (廣州遠大住宅工業有限公司)	Jianjun He (何鍵均) and Zibin He (何梓濱)Note 2	Room 703, Donghan Garden Office Building, 71 Guanghua South Road, Panyu District, Guangzhou, Guangdong Province	Office	March 16, 2019 to July 15, 2019Note 7
19	Hunan Broad Engineering Design Co., Ltd.* (湖南遠大工程設計有限公司)	Company	Room 101, Research, Development and Design Center, 248 Yinshuang Road, Yuelu District, Changsha, Hunan Province	Office	August 7, 2017 to August 6, 2020
20	Changsha Broad Homes Industrial (Jiangsu) Co., Ltd.* (長沙遠大住宅工業（江蘇）有限公司)	Changzhou Rongke Transportation Engineering Company Limited (常州榮科交通工程有限公司)Note 2	1 Houzhou Yingbin Road, Bieqiao County, Liyang, Jiangsu Province	Factory	March 12, 2018 to March 12, 2020

No.	Lessee	Lessor	Address	Use of property	Lease tenure
21	Changsha Broad Homes Industrial (Jiangsu) Co., Ltd.* (長沙遠大住宅工業（江蘇）有限公司)	Liyang Zhongshan Organic Glass Company Limited (溧陽市中山有機玻璃有限公司)[Note 2]	Houzhou Industrial Park, Bieqiao Country, Liyang, Jiangsu Province	Factory	January 1, 2019 to December 31, 2019
22	Changsha Broad Homes Industrial (Fuyang) Co., Ltd.* (長沙遠大住宅工業阜陽有限公司)	Anhui Jialian Construction Engineering Machinery Company Limited (安徽嘉聯建築工程機械有限公司)[Note 2]	8 Chaohu Road, Hefei Modern Industry Garden, Fuyang, Anhui Province	Factory	August 1, 2016 to July 31, 2021
23	Beijing Parallel System Information Technology Co., Ltd.* (平行系統（北京）信息技術有限公司)	Beijing Wangjing Soho Real Estate Company Limited (北京望京搜候房地產有限公司)[Note 2]	1 Futong Dong Dajie, Chaoyang District, Beijing	Office	August 10, 2018 to August 9, 2020
24	Lu'an Broad Homes Industrial Co., Ltd.* (六安遠大住宅工業有限公司)	Anhui Lanxiang Energy-saving Glass Company Limited (安徽藍翔節能玻璃股份有限公司)[Note 2]	Intersection of Yingbin Road and Shouchun Road, Economic Development Zone, Lu'an, Anhui Province[Note 3]	Office	January 1, 2017 to June 30, 2019[Note 4]
25	Lu'an Broad Homes Industrial Co., Ltd.* (六安遠大住宅工業有限公司)	Anhui Lanxiang Energy-saving Glass Company Limited (安徽藍翔節能玻璃股份有限公司)[Note 2]	Intersection of Yingbin Road and Shouchun Road, Economic Development Zone, Lu'an, Anhui Province[Note 3]	Office	September 11, 2017 to June 30, 2019[Note 4]
26	Chenzhou Broad Homes Industrial Co., Ltd.* (郴州遠大住宅工業有限公司)	Chenzhou Hi-Tech Investment Holding Company Limited (郴州高科投資控股有限公司)[Note 2]	Office Building and Block No. 1 and No. 3, Old Chenzhou Chunyi Haosite Factory, Hi-Tech Industry Park, Chenzhou, Hunan Province[Note 3]	Factory, office and dormitory	September 26, 2017 to March 31, 2023
27	Guangzhou Broad Homes Industrial Co., Ltd.* (廣州遠大住宅工業有限公司)	Huizhou Ganchang Property Management Company Limited* (惠州市贛昌物業管理有限公司)[Note 2]	Baimawei Industrial Park, Yuanzhou Town, Boluo Country, Huizhou, Guangdong Province[Note 3]	Factory	April 1, 2019 to April 30, 2020

No.	Lessee	Lessor	Address	Use of property	Lease tenure
28	Guangzhou Broad Homes Industrial Co., Ltd.* (廣州遠大住宅工業有限公司)	Huizhou Ganchang Property Management Company Limited* (惠州市贛昌物業管理有限公司)[Note 2]	Baimawei Industrial Park, Yuanzhou Town, Boluo Country, Huizhou, Guangdong Province[Note 3]	Dormitory residence	April 1, 2019 to April 30, 2020
29	Guangzhou Broad Homes Industrial Co., Ltd.* (廣州遠大住宅工業有限公司)	Huizhou Ganchang Property Management Company Limited* (惠州市贛昌物業管理有限公司)[Note 2]	Baimawei Industrial Park, Yuanzhou Town, Boluo Country, Huizhou, Guangdong Province[Note 3]	Others	April 1, 2019 to April 30, 2020
30	Changsha Broad Homes Industrial (Jiangsu) Co., Ltd.* (長沙遠大住宅工業（江蘇）有限公司)	Liyang Zhongshan Organic Glass Company Limited (溧陽市中山有機玻璃有限公司)[Note 2]	Houzhou Industrial Park, Bieqiao Country, Liyang, Jiangsu Province[Note 3]	Office and gatehouse	January 1, 2019 to December 31, 2019
31	Wuhan Broad Homes Industrial Co., Ltd.* (武漢遠大住宅工業有限公司)	Zhongfen Zhigu (Wuhan) Operation Management Co., Ltd.* (中芬智谷（武漢）運營管理有限公司)	Room 2, Level 4, Research Building D3, One Huaren Huihe Science and Technology Park, Wuhan Economic and Technology Development Zone, Wuhan, Hubei Province	Office	March 5, 2019 to March 5, 2022

Notes:

(1) refers to a connected person of the Company

(2) refer to Independent Third Parties

(3) refer to the properties for which the lessors failed to provide building ownership certificates or documents to prove their legal rights

(4) The lease was not renewed and Lu'an Broad Homes Industrial Co., Ltd.* (六安遠大住宅工業有限公司) moved to a self-owned plant after the lease expired. We obtained the land use rights for the self-owned plant located in Economic Development Zone of Lu'an with a site area of approximately 93,809 sq.m., and are in the process of applying for the building ownership certificate for the factory. As of the Latest Practicable Date, the equipment is installed and the factory is capable to commence production after passing the fire inspection by the authorities.

(5) The property under the lease was intended for the storage of PC unit products on a temporary basis. Changsha Broad Homes Industrial (Anhui) Co., Ltd.* (長沙遠大住宅工業安徽有限公司) has decided not to renew the lease.

(6) The lease was terminated as Guangzhou Broad Homes Industrial Co., Ltd.* (廣州遠大住宅工業有限公司) moved to the new location in Huizhou, Guangdong Province. A new lease agreement for the plants in Huizhou was entered into, see No. 27, 28 and 29.

(7) Upon expiry of the lease, Guangzhou Broad Homes Industrial Co., Ltd.* (廣州遠大住宅工業有限公司) relocated to the new location in Huizhou, Guangdong Province.

Among the leased properties above, with respect to 23 properties with a total gross floor area of 149,144.4 sq.m. in the PRC, our PRC Legal Advisers advised us that, (i) the leases entered into between us and the lessors are legally valid and binding, granting us the rights to occupy and use such properties, and (ii) the lessors of these properties have valid legal right to lease the properties.

Among the leased properties above, with respect to seven properties with a total gross floor area of 45,659.5 sq.m. in the PRC, the lessors failed to provide building ownership certificates or documents to prove their legal rights. These properties are primarily used for production, dormitory and office purposes. Based on the fact that (i) the leases for two properties (with a total gross floor area of 23,945.6 sq.m.) contained provisions to require the lessor to indemnify us for any losses caused by the lessor; and (ii) to the best of our knowledge, there are no disputes or claims arising in relation to the properties, our PRC Legal Advisers advised us that the failure of the lessors to provide relevant building ownership certificates or documents to prove their legal rights would not have a material adverse impact on our business operation individually or as a whole. Our Directors, after taken into account the advice from our PRC Legal Advisers, are of the view that (i) we would be able to identify local alternative premises at a reasonable cost and relocate at a limited cost if our use of these properties was affected; (ii) should the lessor obtain the relevant building ownership certificates, we do not expect that there will be significant change in our rental expenses; and (iii) the failure of the lessors to provide relevant building ownership certificates or documents to prove their legal rights will not have a material adverse impact on our business operation individually or as a whole.

EMPLOYEES

As of April 30, 2019, we had 3,749 employees. The salaries of our employees are mainly depending on seniority and performance, and total compensation includes salaries, wages, performance-based bonuses and special awards. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we incurred staff costs of RMB248.5 million, RMB358.0 million, RMB443.6 million and RMB158.9 million, respectively. The following table sets forth a breakdown of our employees by function as of April 30, 2019:

Employee Type	Total Number of Employees	Percentage of Total Employees
Research and development/technician	1,089	29.0%
Management	469	12.5%
Sales	194	5.2%
Manufacturing	1,997	53.3%
Total	**3,749**	**100.0%**

The following table sets forth a breakdown of our employees by location as of April 30, 2019:

Location	Total Number of Employees	Percentage of Total Employees
Yangtze River Delta Region	1,796	47.9%
Central China Region	1,522	40.6%
Beijing-Tianjin-Hebei Region	337	9.0%
Pearl River Delta Region	94	2.5%
Total	**3,749**	**100.0%**

We believe that our employees are one of our most valuable assets and have greatly contributed to our success. We provide both in-house and external training to our employees to enhance their knowledge of our corporate culture, our strategies, our management systems and information technology skills, and provide training to individual employees according to their respective job description. For details, please refer to the section headed "—Broad Homes Training Center".

According to relevant regulations and rules in the PRC, we are required to provide our employees with medical insurance, pension insurance, unemployment insurance, maternity insurance, work injury insurance, employee's housing provident fund and other benefits. For all workers working for the construction projects we undertake as the general contractor, we are required to purchase work injury insurance. Except for the above annual contributions, we are not responsible for other employee benefits. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we recorded salaries, wages, bonuses and other benefits for our employees of RMB220.8 million, RMB326.5 million, RMB409.1 million and RMB144.5 million, respectively. We also contributed to the housing provident fund in accordance with the applicable PRC regulations.

During the Track Record Period and up to the Latest Practicable Date, the social insurance and housing provident fund contribution we made for certain employees were not based on their actual salary level, which is not strictly in compliance with the relevant laws and regulations in the PRC. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we estimate that the outstanding balance of the social insurance and housing provident fund contributions that should have been contributed amounted to approximately RMB10.5 million, RMB14.4 million, RMB15.8 million and RMB6.1 million, respectively.

The occurrence of these incidents was primarily because (i) some of these employees, particularly those who moved from other cities, were not willing to participate in the social welfare system of the city in which they live temporarily as it may be difficult for them to enjoy the social insurance or housing providence benefits once they move to another city under the current social insurance and housing providence scheme in the PRC; and (ii) we followed the local practices and interpretations of the laws and regulations by the local authorities, which may deviate from the strict implementation of the relevant laws and regulations.

As advised by our PRC Legal Advisers, according to the relevant laws and regulations in relation to social insurance, the competent authorities may (i) order us to make up the contributions for the outstanding balance within a prescribed time; and (ii) charge a daily late payment of 0.05% of the total outstanding balance for any inadequate contributions of social insurance contributions. In the situation when the payment is not made within the prescribed period imposed by the competent authorities, they may further impose a fine ranging from one to three times of the total outstanding balance. Our PRC Legal Advisers also advise us that according to the relevant laws and regulations in relation to housing provident fund, the competent authorities may order to make up the contributions within a prescribed time for any inadequate contributions of housing provident fund, and if the payment is not duly made, the competent authorities may file a petition for the enforcement in court.

We have obtained written confirmation from the local social insurance authorities and housing provident fund authorities confirming that our certain subsidiaries had made adequate social insurance contributions and housing provident fund contributions during the Track Record Period.

As of the Latest Practicable Date, we had not received any notice from the authorities requesting us to rectify the non-compliance or imposing any penalties, nor received any requests or claims from our employees in this respect.

On July 20, 2018, the State Council issued a reform plan (the "**Reform Plan**") of the collection system of state tax and local tax, pursuant to which from January 1, 2019, the social insurance contributions are collected by the tax bureaus. Nevertheless, according to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization on the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工

作的緊急通知》) (the "**Notice**") issued by the MOHRSS on September 21, 2018, the MOHRSS will work with other government departments to issue detailed policies in order to decrease the social insurance contribution rates and ensure that no additional burden will be imposed on enterprises when implementing the Reform Plan. The Notice further expressly forbad the local government from collecting historical outstanding social insurance contributions collectively. In this regard, our PRC Legal Advisers have made further enquiries to the local social insurance authorities and/or housing provident authorities in Changsha, Ningxiang, Xiangtan, Fuyang, Liyang, Guangzhou and Hangzhou and obtained confirmations that they will not proactively collect historical outstanding social insurance contributions or impose a fine, unless they receive any complaint from our employees or relevant authorities request them to initiate investigations and non-compliance is found against us. We confirm that we had not received any notice from relevant authorities requesting us to take rectification actions or imposing any fine on us due to any complaints from employees or any non-compliance findings made by relevant authorities. Based on the above, our PRC Legal Advisers are of the view that the risks of us being ordered to make up the contributions or being imposed with a fine by the relevant authorities for our outstanding contribution of social insurance and housing provident fund is low.

In order to minimize the related risks, we have implemented the following internal control policies with respect to social insurance and housing provident fund contributions:

- designating experienced human resource staff at different levels in our Group to monitor the relevant payment of contributions;
- monitoring closely any updates of the laws, regulations and policies from time to time so as to ensure that we can respond to any changes with respect to social insurance and housing provident fund requirements;
- formulating and distributing to our employees an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement; and
- consulting external PRC legal counsel for advice on relevant PRC laws and regulations.

Based on the above and having taken into consideration of the total outstanding amount which is insignificant, our Directors are of the view that to make up the outstanding contributions of social insurance and housing provident fund and the late payment and any penalties which may be imposed by the relevant authorities would not have a material adverse impact on our business operations and financial condition as a whole. Our Controlling Shareholders have undertaken to indemnify us in full for any outstanding contributions and fines or penalties arisen therefrom. We did not make provisions for the outstanding contributions in our accounts.

Our employees are hired pursuant to the terms of a written employment contract, which specifies the employee's position, responsibilities, remuneration and grounds for termination.

Our employees are protected by labor unions. We encourage employee's participation in the management of our Company. As of the Latest Practicable Date, we had not experienced any strikes or other material labor disturbances which had interfered with our operations, and we believe that we have positive relations with our employees.

RISK MANAGEMENT AND INTERNAL CONTROLS

We have established a management system pursuant to the Company Law in the PRC, Code of Corporate Governance for Listed Companies in the PRC, company internal control basic rules and other relevant regulations. The internal rules and policies that we have formed to regulate and guide our operation include marketing management measures, factory accounting manual, intellectual property management measures, capital budgeting management measures, credit business management measures, recruitment management rules, information disclosure measures, management system of connected transactions, document management measures and etc. In particular, for quality control, we have established supplier management measures, purchase and biding management procedures, rules for security risk valuation and management and other internal rules.

We have established an audit committee consisting of three Directors, namely, Mr. Chen Gongrong, Mr. Li Zhengnong and Mr. Wong Kai Yan Thomas. Mr. Chen Gongrong currently serves as the chairman of the audit committee. The audit committee is responsible for reviewing our systems of financial control, internal control and risk management, discussing the risk management system and the internal control system with management to ensure that management has performed its duty to have both effective risk management and internal control systems. Our internal audit department will conduct audit work according to annual audit plan formed in the beginning of a financial year. It will focus on the establishment of systems and its implementation, identification and valuation of weak link and provide suggestions accordingly.

The internal rules and policies have formed a comprehensive risk management and internal control system, through which we monitor, evaluate and manage financial, operational, compliance and legal risks that we are exposed to in our business activities.

In order to manage our external and internal risks, and to ensure the smooth running of our business, we have engaged an independent internal control reviewer (the "**IPO Internal Control Consultant**") in August 2018, to assist our Group to perform long-form review procedures on the internal control system in respect of Practice Note 21 compliance and provide recommendations for improving our internal control system. The IPO Internal Control Consultant provides a wide range of professional services including corporate governance assessment and design, enterprise risk assessment, internal audit and compliance consultancy and advisory services and is experienced in providing consultancy services in internal controls and performing independent review on internal control and risk management systems. The IPO Internal Control Consultant has conducted long-form review procedures on our internal control system in certain aspects, including revenue, purchase, investment management, inventory and cost management, fixed assets management, human resources, financial management and information technology.

The long-form procedures performed by the IPO Internal Control Consultant were conducted from August 2018 to November 2018, and came up with in a number of findings and recommendations. We have taken the necessary remedial actions accordingly. The IPO Internal Control Consultant also performed follow-up procedures on our Company's system of internal controls in December 2018, with regard to the remedial actions taken by our Company. As of the Latest Practicable Date, there were no material internal control issues outstanding.

INSURANCE

In line with the general practice in the industry, we are required to purchase work injury insurance for all workers working for the construction projects we undertake as the general contractor. We also purchase pension insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance for our employees and personal injury insurance for our employees pursuant to the relevant PRC laws and regulations. As of the Latest Practicable Date, we had not made any material insurance claims.

Consistent with what we believe to be customary practice in China, we do not carry fire, flooding or other property insurance for our production facilities, or any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our properties or relating to our properties or operations, nor do we carry any business interruption insurance or key-man life insurance on our key employees. Such insurance are not mandatory according to the laws and regulations of the PRC and would impose additional costs on our operations, which would reduce our competitiveness against our competitors in the PRC. For details, please refer to the section headed "Risk Factors—Risks Relating to Our Business and Industries—Our current insurance coverage may not be adequate, and we may not be able to obtain insurance at acceptable rates".

Our Directors believe that we maintain sufficient insurance coverage that is consistent with our risk of loss and industry practice. We will continue to examine and evaluate the risks of our Company, and will make necessary and appropriate adjustments to our insurance policies according to our needs and the customary practice in the PRC.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We may from time to time be involved in disputes or legal proceedings arising from the ordinary course of our business. Our Directors confirm that our Company or subsidiaries are not involved in any material outstanding litigation or arbitration that individually involves an amount in controversy that exceeds RMB5 million as of the Latest Practicable Date. We were not aware of any material litigation, arbitration or claims against our Company or subsidiaries that are pending, or to the best knowledge of our Directors, threatened as of the Latest Practicable Date.

Regulatory Compliance

We conduct our business mainly in the PRC and therefore are subject to the relevant restrictions of the regulatory requirements of the PRC. Our Directors and the PRC Legal Advisers, confirmed that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the relevant PRC regulatory requirements and guidelines in all material respects and obtained all the important qualifications and licenses necessary for our business operation in accordance with the PRC laws and regulations.

OVERVIEW

The Board of the Company consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible and has the general authority for the management and operation of the Company. The Directors are typically appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The Supervisory Committee of the Company consists of three Supervisors, including one employee representative Supervisor and two non-employee representative Supervisors. The non-employee representative Supervisors are elected at our general meetings. The employee representative Supervisor is elected by our employees. The Supervisors are typically appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The senior management of the Company, i.e. the five executive Directors, are responsible for the management of day-to-day operations of the Company.

DIRECTORS

The following table sets out the key information of the Directors as at the Latest Practicable Date.

Name	Age	Positions	Date of joining the Group	Date of appointment as Director	Roles and responsibilities
Zhang Jian (張劍)	56	Founder, chairman of the Board, executive Director	April 30, 2006	April 30, 2006	Taking charge of the overall affairs of the Board, participating in the formulation and implementation of the business and operation strategies of the Company and making significant business and operational decisions of the Company through the Board
Tang Fen (唐芬)	43	Executive Director, president	August 18, 2006	February 19, 2014	Taking charge of the overall management and operation of the Company

Name	Age	Positions	Date of joining the Group	Date of appointment as Director	Roles and responsibilities
Shi Donghong (石東紅)	43	Executive Director, vice president, chief financial officer, secretary of the Board, company secretary	December 1, 2007	February 19, 2014	Responsible for the overall financial management, corporate development and board secretarial work of the Company
Zhang Kexiang (張克祥)	56	Executive Director, vice president	April 30, 2006	July 17, 2014	Responsible for the data operation center of the Company
Tan Xinming (譚新明)	44	Executive Director, vice president	April 30, 2006	February 19, 2014	Responsible for the procurement management and project management of the Company
Zhang Quanxun (張權勳)	46	Non-executive Director	December 15, 2018	December 15, 2018	Participating in major decision-making of the Company, offering professional advice and judgment to the Board
Chen Gongrong (陳共榮)	57	Independent non-executive Director	December 14, 2017	December 14, 2017	Supervising and offering independent advice and judgment to the Board
Li Zhengnong (李正農)	56	Independent non-executive Director	December 14, 2017	December 14, 2017	Supervising and offering independent advice and judgment to the Board
Wong Kai Yan Thomas (王佳欣)	48	Independent non-executive Director	March 23, 2019	March 23, 2019	Supervising and offering independent advice and judgment to the Board

Mr. Zhang Jian (張劍), aged 56, is the founder of the Company, and has been the chairman of the Board and an executive Director since the date of the incorporation of the Company in April 2006.

Chairman Zhang takes charge of the overall affairs of the Board, participates in the formulation and implementation of the business and operation strategies of the Company and makes significant business and operational decisions of the Company through the Board.

Since March 1996, Chairman Zhang has served as an executive director of Broad Lingmu, responsible for formulation of strategies, business operation and investment decision-making. Since April 2008, he has served as the chairman of board of Dazheng Investment, responsible for investment and management affairs. Since April 2013, he has served as a general partner of Daxin Investment, responsible for investment and management affairs. Since October 2015, he has served as a general partner of Changsha Shuangyin Investment Management Partnership (Limited Partnership)* (長沙雙銀投資管理合夥企業(有限合夥)), responsible for investment and management affairs.

Before joining the Group, Chairman Zhang taught thermal engineering at Harbin University of Science and Technology (哈爾濱理工大學) from July 1985 to September 1988. He served as the head of Chenzhou Hot Spring Heating Equipment Factory* (郴州溫泉採暖設備廠) from June 1988 to September 1992 and was mainly responsible for research, development and management. He served as an executive director and the president of Broad Air-Conditioner Co., Ltd.* (遠大空調有限公司) (a company mainly engaged in the research, development, production and sales of air-conditioners) from September 1992 to July 2002 and was mainly responsible for formulation of strategies and the overall management and operation.

Chairman Zhang served as a representative of the Eighth National People's Congress of the PRC from March 1993 to February 1998 and a representative of the Ninth National People's Congress of the PRC from March 1998 to February 2013. Chairman Zhang was awarded the China Invention Gold Award* (中國發明金獎) by the Organizing Committee of International Exhibition of Patent, New Technology and New Products* (國際專利及新技術新產品展覽會組織委員會) in November 1990, the Invention Silver Award of the Foire Internationale de Paris by Foire Internationale de Paris in 1991, the Invention Gold Award of the 22nd International Exhibition of Geneva by the International Advisory Committee for Inventions in April 1994, the National Technology Advancement Award by National Science and Technology Commission in December 1996, the Grand Prize of the 110th Concours Lépine International Paris by Association des Inventeurs et Fabricants Francais in 2011, and the Real Estate Representative for the 40th Anniversary of China's Reform and Opening-up by Leju Finance (樂居財經) in December 2018.

Chairman Zhang obtained a bachelor's degree in thermal engineering from Harbin Institute of Technology (哈爾濱工業大學) in July 1985.

Ms. Tang Fen (唐芬), aged 43, is an executive Director and the president of the Company. She takes charge of the overall management and operation of the Company. Ms. Tang joined the Group in August 2006, and previously served as the general manager of the investment and cooperation affairs department and vice president of the Company successively.

Since September 2015, Ms. Tang has been the vice president of the seventh session of the council for China Real Estate Association, responsible for exercising the functions and powers as the vice president.

Before joining the Group, Ms. Tang served as an assistant to director of event planning of China Golden Eagle TV Art Festival Organizing Committee* (中國金鷹電視藝術節組委會) from July

2000 to March 2003 and was mainly responsible for the planning and implementation work of the China Golden Eagle TV Art Festival. She served as a vice president of Hunan Yunda Real Estate Development Co., Ltd.* (湖南運達房地產開發有限公司) (a company mainly engaged in real estate development) from March 2003 to July 2006 and was mainly responsible for sales and investment solicitation.

Ms. Tang was awarded the title of Outstanding Entrepreneur of Changsha High-tech Zone from 2014 to 2017 by the CPC Changsha High-tech Zone Work Committee and Changsha High-tech Zone Management Committee.

Ms. Tang graduated from Changsha Electric Power College* (長沙電力學院) majoring in computer and application in June 2001 and Changsha University of Science and Technology (長沙理工大學) majoring in accounting (correspondence) in June 2004.

Ms. Shi Donghong (石東紅), aged 43, is an executive Director, a vice president, the chief financial officer, the secretary of the Board and company secretary of the Company. She is responsible for the overall financial management, corporate development and board secretarial work of the Company. Ms. Shi joined the Group in December 2007, and previously served as the finance manager, deputy manager of strategy office and manager of capital operation department of the Company successively.

Before joining the Group, Ms. Shi served as the store ledger accountant, cashier, financial teamleader as well as financial executive of Broad Lingmu successively and was mainly responsible for financial work from February 1997 to November 2007.

Ms. Shi was awarded the title of Outstanding Entrepreneur of Changsha High-tech Zone from 2014 to 2016 by the CPC Changsha High-tech Zone Work Committee and Changsha High-tech Zone Management Committee and the title of Five-star Management Talent in May 2018 by China Association of Chief Financial Officers.

Ms. Shi graduated from China Central Radio and TV University* (中央廣播電視大學) majoring in accounting in November 2005. She obtained a master's degree in business administration from Asia International Open University (Macau) in September 2010. Ms. Shi was granted the qualification of Senior International Finance Manager by the International Financial Management Association in April 2010 and the qualification of Chief Financial Officer (總會計師) by China Association of Chief Financial Officers in December 2010.

Mr. Zhang Kexiang (張克祥), aged 56, is an executive Director and a vice president of the Company. He is responsible for the data operation center of the Company. Mr. Zhang joined the Group at the time of the incorporation of the Company in April 2006, and previously served as the manager of manufacture department of the Company, responsible for management affairs.

Before joining the Group, Mr. Zhang served as an engineer in the technical division of Changsha Shipyard* (長沙船舶廠) (a company mainly engaged in shipbuilding business) from July 1984 to October 1996 and was mainly responsible for technical research and development. He served as the head of the Pressure Vessel Branch of Changsha Shipyard* (長沙船舶廠壓力容器分廠) from October 1996 to December 1998 and was mainly responsible for management. He served as the head of the management division of Broad Lingmu from December 1998 to December 2004 and was mainly responsible for production management. He served as the on-board general manager of

Changsha Noah Cruise Co., Ltd.* (長沙挪亞游輪有限公司) (a company mainly engaged in cruise operation) from December 2004 to April 2006 and was mainly responsible for management.

Mr. Zhang obtained a bachelor's degree in ship and marine engineering from Huazhong University of Science and Technology (華中科技大學) in July 1984. Mr. Zhang was also granted the title of engineer by Hunan Provincial Department of Personnel in July 1992.

Mr. Tan Xinming (譚新明), aged 44, is an executive Director and a vice president of the Company. He is responsible for procurement management and construction management of the Company. Mr. Tan joined the Group at the time of the incorporation of the Company in April 2006, and previously served as the secretary of the chairman's office, procurement manager and construction general manager of the Company successively.

Before joining the Group, Mr. Tan successively served as a financial manager and the secretary of the chairman's office of Broad Lingmu, responsible for financial management affairs and the administration of the chairman's office from July 2003 to March 2006.

Mr. Tan served as a strategic consultant for procurement alliance of China Real Estate Chamber of Commerce from October 2015 to October 2018.

Mr. Tan graduated from Hunan College of Finance and Economics* (湖南財經學院) majoring in accounting in December 1998. Mr. Tan was also granted the qualification of certified public accountant by the Chinese Institute of Certified Public Accountants in September 2004.

Mr. Zhang Quanxun (張權勳), aged 46, is a non-executive Director of the Company. He is mainly responsible for participating in major decision-making of the Company and offering professional advice and judgment to the Board.

Since June 2013, Mr. Zhang has served as a vice president of Yuanzhi Fuhai, responsible for facilitating the development of various businesses, participating in the establishment, assessment, investment decision-making and fund-raising of all projects, as well as the external liaison and maintenance of relationships with limited partners and shareholders. Since May 2015, Mr. Zhang has served as a director of Shenzhen Tellus Holding Co., Ltd.* (深圳市特力(集團)股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000025)). Since November 2017, he has served as a supervisor of Shenzhen High-tech Investment Group Co., Ltd.* (深圳市高新投集團有限公司).

Before joining the Group, Mr. Zhang served as a deputy director of Xiamen Productivity Promotion Center* (廈門市生產力促進中心) (an institute mainly engaged in investment and project management in science and technology industry) from August to November 2008. From December 2008 to January 2011, Mr. Zhang successively served as the vice director of business department of plastic packaging, and the director of business department of plastic packaging as well as the strategic development department of Shenzhen Tongchan Packaging Group Co., Ltd.* (深圳市通產包裝集團有限公司) (a company mainly engaged in the production and sales of packaging products and investment in packaging industry). From January 2011 to February 2013, Mr. Zhang served as the head of the strategic research and merges and acquisitions department of Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司) (a company mainly engaged in industrial investment and the development and management of investment and assets).

Mr. Zhang obtained a bachelor's degree in economics and a master's degree in business administration from Xiamen University (廈門大學) in July 1994 and December 2005, respectively.

Mr. Chen Gongrong (陳共榮), aged 57, is an independent non-executive Director of the Company. He is mainly responsible for supervising and offering independent advice and judgment to the Board.

Mr. Chen successively served as a teaching assistant, lecturer and associate professor at Hunan College of Finance and Economics* (湖南財經學院) from July 1985 to December 1999, and has successively served as an associate professor and professor in Hunan University since January 2000, responsible for teaching accounting. Mr. Chen served as an independent director of several listed companies, responsible for participating in the board decision-making, namely Vatti Co., Ltd.* (華帝股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002035) and mainly engaged in the research, manufacturing and sales of gas cookers, water heaters, range hoods, etc.) from October 2007 to May 2013, Hunan Corun New Energy Co., Ltd.* (湖南科力遠新能源股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 600478) and mainly engaged in the research, manufacturing, development, production and sales of continuous strip of nickel foam and relevant product series) from July 2008 to June 2014, Hunan Zhenghong Science and Technology Development Co., Ltd.* (湖南正虹科技發展股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 000702) and mainly engaged in the research, manufacturing, production and sales of various types of feeds) from March 2009 to March 2015 and Hunan Mendale Hometextile Co., Ltd.* (湖南夢潔家紡股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002397) and mainly engaged in the research, development, design, production and sales of home textiles) from August 2012 to August 2018.

Mr. Chen also currently serves as an independent director responsible for participating in the board decision-making of several listed companies, namely China South Publishing & Media Group Co., Ltd.* (中南出版傳媒集團股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 601098)) since September 2013, Friendship Apollo (a company listed on the Shenzhen Stock Exchange (stock code: 002277)) since May 2015, Hunan Gold Corporation Limited* (湖南黃金股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002155)) since May 2015 and Changlan Electric Technology Co., Ltd. (長纜電工科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (stock code: 002879) and mainly engaged in the research, development, production and sales of power accessories, cable fittings and other auxiliary materials) since April 2019.

Mr. Chen obtained a bachelor's degree in financial accounting from Hunan College of Finance and Economics* (湖南財經學院) in June 1985 and a doctorate degree in accounting from Hunan University (湖南大學) in March 2010. Mr. Chen was also granted the title of professor by Hunan Provincial Department of Personnel in May 2006.

Mr. Li Zhengnong (李正農), aged 56, is an independent non-executive Director of the Company. He is mainly responsible for supervising and offering independent advice and judgment to the Board.

Since February 2005, Mr. Li has served as a professor at the School of Civil Engineering of Hunan University, mainly responsible for teaching and research as the director of the key laboratory for building safety and energy efficiency education division.

Mr. Li obtained a doctorate degree of science in structural engineering from Wuhan University of Industry* (武漢工業大學) in July 1995. Mr. Li was also granted the title of professor by Zhejiang Provincial Department of Personnel in October 2003.

Mr. Wong Kai Yan Thomas (王佳欣), aged 48, is an independent non-executive Director of the Company. He is mainly responsible for supervising and offering independent advice and judgment to the Board.

Since March 2018, Mr. Wong has served as the managing director of the asset management department of VPower Group International Holdings Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01608)), responsible for managing the fund investment, determining the investment goals and developing and implementing the asset management plans and strategies.

Before joining the Group, from June 1995 to May 1997, Mr. Wong served as an auditor of BDO; from July 1997 to January 2004, Mr. Wong served as the financial officer of Kong Sun Holdings Limited (a company listed on the Hong Kong Stock Exchange (stock code: 00295) and mainly engaged in investment business); from March 2004 to April 2008, Mr. Wong served as a consultant of Pioneer International Enterprise Limited; from July 2008 to December 2017, Mr. Wong served as a joint authorized representative and joint company secretary of CRRC Corporation Limited (a company listed on the Hong Kong Stock Exchange (stock code: 01766) and mainly engaged in railway-equipping business); from November 2015 to December 2017, Mr. Wong served as a director, a vice president and the chief financial officer of CRRC (Hong Kong) Co., Limited (a company mainly engaged in trade and investment business).

Mr. Wong obtained a bachelor's degree of business in accounting from the University of Wollongong in Australia in May 1995 and a master's degree of science in investment analysis from the Hong Kong University of Science and Technology in May 2011. Mr. Wong became a member of CPA Australia in March 1999 and a member of Hong Kong Institute of Certified Public Accountants in July 1999.

Mr. Wong served as the director or supervisor of the companies set out in the table below before their dissolution or deregistration:

Company name	Place of establishment	Nature of business	Position	Status	Date of dissolution/ deregistration
Genesis Marketing Services Limited	Hong Kong	Service	Director	Dissolved by deregistration	January 4, 2002
Halwon Investment Limited (禧煌投資有限公司)	Hong Kong	Investment	Director	Dissolved by striking off	November 23, 2001
Kong Sun Telecoms Limited (江山電訊有限公司)	Hong Kong	Telecommunication	Director	Dissolved by deregistration	March 9, 2007
Nanjing CRRC Haida Railway Service Co., Ltd. (南京中車海達鐵路服務有限公司)	China	Service	Director	Deregistered	May 25, 2017
CRRC Shanghai Financial Leasing Co., Ltd. (上海中車融資租賃有限公司)	China	Leasing	Supervisor	Deregistered	December 18, 2018

Mr. Wong confirmed that the above companies were dissolved or deregistered due to business termination and were solvent at the time of dissolution or deregistration and did not incur any debt and/

or liability due to the dissolution or deregistration, and the dissolution or deregistration had no adverse impact on the Company.

SUPERVISORS

The following table sets out the key information of the Supervisors as of the Latest Practicable Date:

Name	Age	Position	Date of joining the Group	Date of appointment as Supervisor	Roles and responsibilities
Zhang Mingxin (張明鑫)	41	Chairman of the Supervisory Committee and non-employee representative Supervisor	April 30, 2006	February 19, 2014	Directing the work of the Supervisory Committee and coordinating Supervisors to jointly supervise the operating and financial activities of the Company
Li Gen (李根)	34	Non-employee representative Supervisor	October 11, 2010	December 15, 2018	Jointly supervising the Company's operational and financial activities.
Liu Jing (劉景)	38	Employee representative Supervisor	October 15, 2012	February 19, 2014	Jointly supervising the Company's operational and financial activities.

Ms. Zhang Mingxin (張明鑫), whose former name was Zhang Mingxing (張明星), aged 41, is the chairman of the Supervisory Committee of the Company, responsible for directing the work of the Supervisory Committee, coordinating Supervisors to jointly supervise the operating and financial activities of the Company. Ms. Zhang is also the administrative director of the Company, responsible for administration services of the Company. Ms. Zhang joined the Group at the time of the incorporation of the Company in April 2006 and previously served as the secretary of the president's office, the head of personnel department of the supply chain division, a procurement engineer and the director of the administrative services division of the Company successively.

Before joining the Group, Ms. Zhang successively served as an office director and cashier of Changsha Wangcheng District Film Distribution and Screening Company* (長沙市望城區電影發行放映公司) (a company mainly engaged in film distribution and screening business) from August 1996 to September 2001 and was mainly responsible for capital management. She served as a data management officer of Broad Lingmu from October 2001 to April 2006 and was mainly responsible for data management.

Ms. Zhang graduated from China Central Radio and TV University* (中央廣播電視大學) in April 2005, majoring in administration management.

Ms. Zhang served as a supervisor of Changsha High-tech Development Zone Oak Tree Planation Investment Management Co., Ltd. *(長沙高新開發區橡樹莊園投資管理有限公司), a company incorporated in China principally engaged in investment before its deregistration on March 14, 2014.

Ms. Zhang confirmed that the above company was deregistered due to business termination and was solvent at the time of deregistration and did not incur any debt and/or liability due to the deregistration, and the deregistration had no adverse impact on the Company.

Mr. Li Gen (李根), aged 34, is a non-employee representative Supervisor, responsible for the joint supervision of the Company's operational and financial activities. Mr. Li is also the manager of the capital center of the Company, responsible for the capital-operational work of the Company. Mr. Li joined the Group in October 2010 and previously served as a financing manager of the strategy research office and a manager of the capital operation department successively.

Before joining the Group, Mr. Li served as an investment manager in Changsha Wanjiali Road Branch of Zhongtai Securities Company Limited* (中泰證券股份有限公司) (a company mainly engaged in securities business) from March to September 2010, and was mainly responsible for security investment.

Mr. Li obtained a bachelor's degree in measuring and control technology and instruments from Central South University (中南大學) in June 2007 and a master's degree in business administration from Central South University (中南大學) in December 2009.

Ms. Liu Jing (劉景), aged 38, is an employee representative Supervisor, responsible for the joint supervision of the Company's operational and financial activities. Ms. Liu Jing is also the branding director of the Company, responsible for the coordination of brand development and implementation of promotion projects of the Group. Ms. Liu Jing joined the Group in October 2012, and she has been serving as the branding director of the Company since then.

Before joining the Group, Ms. Liu Jing served as the assistant to the chairman of Hunan Future Investment Group Co., Ltd.* (湖南未來投資集團有限公司) (a company mainly engaged in real estate development and investment) from November 2007 to September 2012 and was mainly responsible for assisting the chairman on day-to-day operational work.

Ms. Liu Jing obtained a bachelor's degree of arts from Xiangtan University (湘潭大學) in June 2003, majoring in English.

SENIOR MANAGEMENT

The senior management of the Company consists of Chairman Zhang, Ms. Tang Fen, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming. For their biographical details, please see "— Directors" above.

Save as disclosed in this prospectus, none of the Directors and Supervisors has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the Latest Practicable Date.

As of the Latest Practicable Date, save as disclosed in this prospectus:

(i) none of the Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly with our business;

(ii) none of the Directors and Supervisors was related to any other Directors or Supervisors;

(iii) none of the Directors and Supervisors held any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and

(iv) there was no additional matter with respect to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

COMPANY SECRETARY

Ms. Shi Donghong is the company secretary of the Company. Please refer to the section headed "—Directors" above for her biographical details.

Ms. Leung Suet Wing (梁雪穎) is the joint company secretary of the Company. Ms. Leung is an assistant manager of TMF Hong Kong Limited, which is a corporate secretarial services provider. From June 2011 to June 2013, Ms. Leung had successively served as an associate and the officer of corporate services department of Tricor Services Limited.

Ms. Leung has extensive knowledge and experience in the fields of corporate governance, regulation and compliance of listed companies, and has accumulated and possesses more than eight years of experience in professional company secretarial industry. Ms. Leung is currently serving as a joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. Leung obtained a master's degree in accounting and corporate governance from City University of Hong Kong in July 2016, and became a member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom respectively in December 2016.

BOARD COMMITTEES

We have established four Board committees, namely the Strategy Committee, the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee.

Strategy Committee

The Strategy Committee consists of three Directors, namely, Mr. Zhang Jian, Ms. Tang Fen and Ms. Shi Donghong. Mr. Zhang Jian currently serves as the chairman of the Strategy Committee.

The main responsibilities of the Strategy Committee include:

(i) conducting research into the strategic development plan of the Company and making recommendations thereof;

(ii) conducting research into the material investment and finance plans which are subject to the approval of the Board under the Articles of Association and making recommendations thereof;

(iii) conducting research into the material capital operations and assets operating projects which are subject to the approval of the Board under the Articles of Association and making recommendations thereof;

(iv) conducting research into other material businesses which may influence the development of the Company and making recommendations thereof;

(v) reviewing the implementation of the abovementioned businesses;

(vi) other matters authorized by the Board.

Audit Committee

The Audit Committee consists of three Directors, namely, Mr. Chen Gongrong, Mr. Li Zhengnong and Mr. Wong Kai Yan Thomas. Mr. Chen Gongrong currently serves as the chairman of the Audit Committee.

The main responsibilities of the Audit Committee include:

(i) proposing the appointment, re-appointment or removal of the external auditor, and making recommendations to the Board and approving the remuneration and terms of engagement of the external auditor;

(ii) reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process, discussing the nature, scope, method and relevant reporting obligation of the audit with the auditor before the audit commences, formulating and implementing policies on engaging the external auditors to provide non-audit services;

(iii) monitoring the authenticity, accuracy and completeness of the financial statements of the Company and the Company's annual report and accounts, half-year report and quarterly reports (if any) and reviewing the material opinion on the financial reports contained in the statement and reports;

(iv) reviewing the Company's systems of financial control, internal control and risk management, discussing the risk management system and the internal control system with the management to ensure that the management has performed its duty to establish effective risk management and internal control systems;

(v) being responsible for the communication between the internal auditing department and the external auditor, acting as the key representative between the Company and the external auditor, and being responsible for monitoring the relationship between them;

(vi) being responsible for the confirmation of the list of connected persons, overall review of connected transactions and regular review of the overall situation of the Company's connected transactions; and

(vii) other matters authorized by the Board or required by relevant laws and regulations.

Nomination Committee

The Nomination Committee consists of three Directors, namely Chairman Zhang, Mr. Chen Gongrong and Mr. Li Zhengnong. Chairman Zhang currently serves as the chairman of the Nomination Committee.

The main responsibilities of the Nomination Committee include:

(i) establishing standards, procedures and methods for the selection of Directors and senior management of the Company and submitting the same to the Board for deliberation;

(ii) reviewing the structure, size, composition and relevant qualities (including skill, knowledge and experience) of the Board at least annually, and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(iii) identifying qualified candidates of Board members, examining and proposing candidates of Directors, president, secretary to the Board and other members of the management;

(iv) evaluating the overall skill, expertise and experience of Directors and senior management and assessing the independence of the independent non-executive Directors;

(v) reviewing the policy on Board diversity and any measurable objectives for implementing such policy as may be adopted by the Board from time to time and reviewing the progress on achieving the objectives; and

(vi) other matters authorized by the Board or required by relevant laws and regulations.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of three Directors, namely Chairman Zhang, Mr. Li Zhengnong and Mr. Chen Gongrong. Mr. Li Zhengnong currently serves as the chairman of the Remuneration and Appraisal Committee.

The main responsibilities of the Remuneration and Appraisal Committee include:

(i) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on formulating a formal and transparent procedure for developing remuneration policy;

(ii) determining the specific remuneration for all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and proposing to the Board with respect to the remuneration of the non-executive Directors;

(iii) formulating management measures on the performance evaluation of senior management of the Company, making evaluation plans and determine evaluation objectives;

(iv) reviewing the performance by the Directors and senior management of their responsibilities and conducting an annual evaluation on their performance;

(v) making recommendations to the Board on policies of and plans on the salary, benefits, rewards and punishments of the Company, and monitoring the implementation thereof; and

(vi) other matters authorized by the Board or required by relevant laws and regulations.

REMUNERATION OF DIRECTORS AND SUPERVISORS

The Directors and Supervisors who receive remuneration from the Company are paid in forms of salaries, allowances, discretionary bonuses and other benefits in kind. The remuneration of the Directors and Supervisors is determined with reference to the market benchmark of the same industry and the operation conditions of the Company.

The table below sets out the total remuneration paid to the Directors, Supervisors and the five highest paid individuals (including certain Directors) for each of the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019.

	Year ended December 31,			Four months ended April 30, 2019
	2016	2017	2018	
	(RMB million)	(RMB million)	(RMB million)	(RMB million)
Directors	8.94	9.29	10.56	5.50
Supervisors	0.32	0.29	0.39	0.30
Five highest paid individuals	10.27	10.47	11.40	6.14

Under the arrangement currently in force, the Company estimates that the total fixed remuneration (before tax) payable to the Directors and Supervisors for the year ending December 31, 2019 is approximately RMB17.4 million.

During the Track Record Period, no fees were paid by the Company to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. None of the Directors or Supervisors waived their remuneration during the Track Record Period.

For details of our share incentives, please refer to the section headed "History and Development" and Note 29 "Equity settled share-based transactions" under "Appendix I—Accountants' Report".

COMPLIANCE ADVISER

We have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser in compliance with Rules 3A.19 and 19A.05(2) of the Hong Kong Listing Rules. The material terms of the compliance adviser's agreement are as follows:

(i) Anglo Chinese Corporate Finance, Limited shall act as our compliance adviser for the purpose of Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date when the Company publishes its financial results for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Hong Kong Listing Rules, or until the agreement is terminated, whichever is earlier;

(ii) the compliance adviser will provide us with certain services, including but not limited to proper guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, regulations and rules;

(iii) the compliance adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules; and

(iv) the compliance adviser will act as one of the channels of communication of the Company with the Hong Kong Stock Exchange.

SHARE CAPITAL

Immediately before the Global Offering

As at the Latest Practicable Date, the registered share capital of the Company was RMB365,604,000, comprising 365,604,000 Domestic Shares with a nominal value of RMB1.00 each.

Upon completion of the Global Offering

Immediately after completion of the Global Offering and assuming that the Over-allotment Option is not exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after completion of the Global Offering
Domestic Shares	365,604,000	75.00%
H Shares to be issued pursuant to the Global Offering	121,868,000	25.00%
Total	**487,472,000**	**100%**

Immediately after completion of the Global Offering and assuming that the Over-allotment Option is fully exercised, the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after completion of the Global Offering
Domestic Shares	365,604,000	72.29%
H Shares to be issued pursuant to the Global Offering	140,148,200	27.71%
Total	**505,752,200**	**100%**

CLASS OF SHARES

Upon completion of the Global Offering, the Shares will consist of Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of the Company. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons. Domestic Shares can only be subscribed for by and traded between legal or natural PRC persons, qualified foreign institutional investors and foreign strategic investors.

Domestic Shares and H Shares are regarded as different classes of Shares. The differences between the two classes of Shares, provisions on class rights, despatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of members, the procedure of transfer of Shares and appointment of dividend receiving agents as contained in the Articles of Association are summarized in the section headed "Appendix VII—Summary of the Articles of Association."

Furthermore, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution at the general meeting of Shareholders and a separate class meeting of class

Shareholders convened by the affected class of Shareholders. The circumstances under which a general meeting and/or a class meeting is required are summarized in the section headed "Appendix VII—Summary of the Articles of Association." However, the approval of separate classes of Shareholders is not required under the following circumstances:

(i) an issue of Domestic Shares or H Shares of not more than 20% of existing Domestic Shares or H Shares, respectively, either separately or concurrently in a period of 12 months, pursuant to an approval by a special resolution at the general meeting;

(ii) a proposal to issue Domestic Shares and H Shares of the Company upon its establishment pursuant to the approval of the securities regulatory authority under the State Council, provided that such proposal is carried out within 15 months after such approval is given; or

(iii) the conversion of Domestic Shares by Shareholders to shares listed on an overseas stock exchange pursuant to the approval by the securities regulatory authority under the State Council.

Save as described in this prospectus, Domestic Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be paid in Hong Kong dollars or in the form of additional H Shares whereas all dividends for Domestic Shares will be paid in Renminbi.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

No shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. As confirmed by our PRC Legal Advisers, the Articles of Association are not inconsistent with the relevant PRC laws and regulations on the conversion of domestic shares.

Following the grant of relevant approvals, the holder of Domestic Shares shall submit an application to us to deregister the Domestic Shares to be converted from the register of members of Domestic Shares, together with the relevant document(s) of title. Upon all the requisite approvals being obtained, we will instruct the H Share Registrar to issue certificate(s) of such number of H Shares to the relevant holders of H Shares. Registration on our register of members of H Shares will be on the condition that (i) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the register of members of H Shares and the due despatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. The converted Shares will not be listed as H Shares until they are registered on our register of members of H Shares.

As a result of the conversion, the shareholding of the relevant holder of Domestic Shares in our Domestic Share capital registered shall be reduced by the number of Domestic Shares converted and the number of H Shares shall be increased by the number of converted H Shares. As of the Latest Practicable Date, the Directors were not aware of any intention of any holder of Domestic Shares to convert all or part of their Domestic Shares into H Shares.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

The Company Law provides that in relation to the Hong Kong Public Offering of a company, the shares issued by that company prior to the Hong Kong Public Offering shall not be transferred for a period of one year from the date on which the publicly offered shares are traded on any stock exchange.

Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, the Company is required to register the Domestic Shares with the China Securities Depository and Clearing Corporation Limited within 15 business days upon Listing and provide a written report to the CSRC regarding the centralized registration and deposit of the Domestic Shares as well as the offering and listing of the H Shares.

As at the Latest Practicable Date, the following persons, directly or indirectly, interested or were deemed to be interested in, 5% or more of our share capital:

Name of the Shareholder	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding
Chairman Zhang	Beneficial owner	Domestic Shares	171,507,840	46.91%
	Interest held by controlled corporations[Note 1]	Domestic Shares	101,912,160	27.88%
		Total:	**273,420,000**	**74.79%**
Broad Lingmu	Beneficial owner	Domestic Shares	66,176,160	18.10%
	Interest held by controlled corporations[Note 1]	Domestic Shares	17,136,000	4.69%
		Total:	**83,312,160**	**22.79%**
Yuanzhi Fuhai	Beneficial owner	Domestic Shares	25,404,000	6.95%
Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%
Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司)	Interest held by controlling corporations[Note 2]	Domestic Shares	25,404,000	6.95%
Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%
Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業（有限合夥）)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%
Mr. Zhang Quanxun (張權勳)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%
Mr. Cheng Houbo (程厚博)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%
Daxin Investment	Trustee[Note 3]	Domestic Shares	18,600,000	5.09%

Notes:

(1) *Broad Lingmu directly holds 66,176,160 Domestic Shares, Daxin Investment directly holds 18,600,000 Domestic Shares, Dazheng Investment directly holds 12,000,000 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Chairman Zhang. Chairman Zhang is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment. Chairman Zhang directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Chairman Zhang indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Chairman Zhang is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, and Broad Lingmu is deemed to be interested in the Domestic Shares held by Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.*

(2) *The general partners of Yuanzhi Fuhai are Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）). Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) is ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司); and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）) is ultimately controlled by Mr. Zhang Quanxun (張權勳) (our non-executive Director) and Mr. Cheng Houbo (程厚博). The limited partner of Yuanzhi Fuhai holding over one third of partnership interest in Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併*

購投資基金合夥企業（有限合夥）), which is also ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited (深圳市遠致投資有限公司). Each of Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司), Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司), Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）), Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業（有限合夥）), Mr. Zhang Quanxun (張權勳) and Mr. Cheng Houbo (程厚博) is deemed to be interested in the Domestic Shares held by Yuanzhi Fuhai for the purpose of Part XV of the SFO. Save as disclosed herein, so far as the Company is aware, Mr. Cheng Houbo (程厚博) does not have any other direct or indirect relationship with our Group and/or the Directors.*

(3) *Daxin Investment is an employee stock ownership platform of the Company. For details, please refer to the section headed "History and Development—Equity incentives in our history."*

(4) *The Shares referred to in this table are all long positions.*

To the best of the Directors' knowledge and information, the following persons will, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of the Shareholder	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total share capital of the Company[Note 1]
Chairman Zhang	Beneficial owner	Domestic Shares	171,507,840	46.91%	35.18%
	Interest held by controlled corporations[Note 2]	Domestic Shares	101,912,160	27.88%	20.91%
		Total:	**273,420,000**	**74.79%**	**56.09%**
Broad Lingmu	Beneficial owner	Domestic Shares	66,176,160	18.10%	13.58%
	Interest held by controlled corporations[Note 2]	Domestic Shares	17,136,000	4.69%	3.52%
		Total:	**83,312,160**	**22.79%**	**17.09%**
Yuanzhi Fuhai	Beneficial owner	Domestic Shares	25,404,000	6.95%	5.21%
Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司)	Interest held by controlled corporations[Note 3]	Domestic Shares	25,404,000	6.95%	5.21%
Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司)	Interest held by controlling corporations[Note 3]	Domestic Shares	25,404,000	6.95%	5.21%
Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）)	Interest held by controlled corporations[Note 3]	Domestic Shares	25,404,000	6.95%	5.21%
Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業（有限合夥）)	Interest held by controlled corporations[Note 3]	Domestic Shares	25,404,000	6.95%	5.21%

Name of the Shareholder	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares	Approximate percentage of shareholding in the total share capital of the Company[Note 1]
Mr. Zhang Quanxun (張權勳)	Interest held by controlled corporations[Note 3]	Domestic Shares	25,404,000	6.95%	5.21%
Mr. Cheng Houbo (程厚博)	Interest held by controlled corporations[Note 3]	Domestic Shares	25,404,000	6.95%	5.21%
Daxin Investment	Trustee[Note 4]	Domestic Shares	18,600,000	5.09%	3.82%
Zoomlion International Trading (H.K.) Co., Limited [note 5]	Beneficial owner	H Shares	21,027,600	17.25%	4.31%
Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司) [note 5]	Interest held by controlled corporations	H Shares	21,027,600	17.25%	4.31%
Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) [note 6]	Beneficial owner	H Shares	20,026,500	16.43%	4.11%
Changsha Industry Investment Co., Ltd.* (長沙市產業投資集團有限公司) [note 6]	Interest held by controlled corporations	H Shares	20,026,500	16.43%	4.11%

Notes:

(1) *The calculation is based on the total number of 487,472,000 Shares in issue immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised).*

(2) *Broad Lingmu directly holds 66,176,160 Domestic Shares, Daxin Investment directly holds 18,600,000 Domestic Shares, Dazheng Investment directly holds 12,000,000 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Chairman Zhang. Chairman Zhang is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment. Chairman Zhang directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Chairman Zhang indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Chairman Zhang is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, and Broad Lingmu is deemed to be interested in the Domestic Shares held by Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.*

(3) *The general partners of Yuanzhi Fuhai are Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）). Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) is ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司); and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）) is ultimately controlled by Mr. Zhang Quanxun (張權勳) (our non-executive Director) and Mr. Cheng Houbo (程厚博). The limited partner of Yuanzhi Fuhai holding over one third of partnership interest in Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業（有限合夥）), which is also ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司). Each of Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司), Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司), Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）), Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業（有限合夥）), Mr. Zhang Quanxun (張權勳) and Mr. Cheng Houbo (程厚博) is deemed to be interested in the Domestic Shares held by Yuanzhi Fuhai for the purpose of Part XV of the SFO.*

(4) *Daxin Investment is an employee stock ownership platform of the Company. For details, please refer to the section headed "History and Development—Equity incentives in our history."*

(5) *Zoomlion International Trading (H.K.) Co., Limited is a cornerstone investor of the Company, which agreed to subscribe for the H Shares in amount of RMB210.00 million at the Offer Price in the International Offering. Based on the Offer Price of HK$11.08 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by Zoomlion International Trading (H.K.) Co., Limited is 21,027,600 (rounded down to the nearest whole board lot of 300 H Shares). As Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司) (a listed company in Hong Kong and Shanghai) holds 100% interest in Zoomlion International Trading (H.K.) Co., Limited, Zoomlion Heavy Industry Science and Technology Co.,*

Ltd. (中聯重科股份有限公司) is deemed to be interested in the H Shares to be held by Zoomlion International Trading (H.K.) Co., Limited upon completion of its cornerstone investment for the purpose of Part XV of the SFO.*

(6) *Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) is a cornerstone investor of the Company, which agreed to subscribe for the H Shares in amount of RMB200.00 million at the Offer Price in the International Offering. Based on the Offer Price of HK$11.08 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) is 20,026,500 (rounded down to the nearest whole board lot of 300 H Shares). As Changsha Industry Investment Co., Ltd.* (長沙市產業投資集團有限公司) (a state-owned enterprise) holds 100% interest in Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司), Changsha Industry Investment Co., Ltd.* (長沙市產業投資集團有限公司) is deemed to be interested in the H Shares to be held by Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) upon completion of its cornerstone investment for the purpose of Part XV of the SFO.*

(7) *The Shares referred to in this table are all long positions.*

Save as disclosed in this prospectus, the Directors are not aware of any person who will, immediately following completion of the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of the Company.

OVERVIEW

As at the Latest Practicable Date, Chairman Zhang, our chairman and founder, directly controlled approximately 46.91% of our share capital, and indirectly controlled approximately 27.88% of our share capital through Broad Lingmu (a company wholly owned by Chairman Zhang), Daxin Investment (a limited partnership whose general partner is Chairman Zhang, holding 66% partnership interest in it), Dazheng Investment (a company owned as to 71.20% by Chairman Zhang, directly and indirectly) and Fuyang Shangjiu (a limited partnership whose limited partner is Broad Lingmu, holding approximately 99.33% partnership interest in it), respectively. Accordingly, Chairman Zhang, directly and indirectly controlled approximately 74.79% of our total issued share capital as at the Latest Practicable Date.

Immediately following the completion of the Global Offering, Chairman Zhang, will, directly and indirectly, control approximately 56.09% of our share capital, assuming that no Over-allotment Option is exercised.

As such, Chairman Zhang and the entities controlled by him, namely Broad Lingmu, Dazheng Investment, Daxin Investment and Fuyang Shangjiu, are and will continue to be the Controlling Shareholders of the Company.

DELINEATION OF BUSINESS

Our Business

We are principally engaged in the business of PC unit manufacturing, PC equipment manufacturing and construction contracting. For further details of our business, please refer to the section headed "Business".

Controlling Shareholders' Business

Chairman Zhang, apart from his interests in our Group, has also been engaged in the following business through his close associates (including Broad Lingmu and its subsidiaries): (i) property development, management and leasing; (ii) hotel management and services; (iii) business investment, equity investment and investment consultation; and (iv) research, development and technical support services of educational technology. Daxin Investment and Dazheng Investment are the Company's employee stock ownership platforms, and have not been engaged in other business apart from their interests in our Group.

Chairman Zhang and his close associates (including other Controlling Shareholders) are not engaged in businesses in China which are similar to the principal business of our Group. Therefore, the Directors are of the view that there is a clear delineation between the businesses operated by our Controlling Shareholders and our Group.

Each of the Directors of the Company (including Chairman Zhang) confirms that as at the Latest Practicable Date, he did not have any interest in a business which competes with, or is likely to compete with, our principal business, whether directly or indirectly, which would otherwise require disclosure to be made under Rule 8.10 of the Hong Kong Listing Rules.

NON-COMPETITION AGREEMENT AND UNDERTAKINGS

Chairman Zhang, Ms. Liu (the "**Covenantors**" and each a "**Covenantor**") and the Company have entered into a non-competition agreement dated October 11, 2019 in favor of our Company (the

"**Non-competition Agreement**"), pursuant to which, with effect from the date of entering into the Non-competition Agreement and ending on the earlier of: (a) the date on which the Covenant ceases to be a Controlling Shareholder; and (b) the date on which the H Shares cease to be listed on the Hong Kong Stock Exchange, each of the Covenantors has irrevocably and unconditionally undertaken to and for the benefit of the Company (for itself and on behalf of each other member of the Group) that:

(a) each of the Covenantors shall not, either alone or jointly with any other person or entity, or for any other person, firm or company, or as principal, partner, director (other than an independent non-executive director), employee, consultant or agent through any body corporate, partnership, joint venture or other contractual arrangement, invest in or be engaged, or otherwise involved, whether as a shareholder, director (other than an independent non-executive director), employee, partner, agent or otherwise, directly or indirectly, in the carrying on of, any business in any form or manner that is in competition or is likely to be in competition, directly or indirectly, with the principal businesses operated by our Group as of the agreement date (the "**Restricted Businesses**");

(b) the Covenantors further generally and jointly undertakes that if they become aware of any business opportunity ("**Business Opportunity**") offered to their close associates which directly or indirectly competes, or may lead to competition, with the Restricted Businesses, they should notify our Group of such Business Opportunity as soon as practicable;

(c) each of the Covenantors is obliged to use his best effort to procure that such Business Opportunity is first offered to our Group upon terms which are fair and reasonable. The Board shall inform the respective Covenantor in writing whether our Group intends to take up such Business Opportunity within 15 business days after being notified. It is only after the Board has either expressly declined such Business Opportunity, or if the 15-business-day period has lapsed and the Board has not notified the respective Covenantor of our Group's intention to take up such Business Opportunity, that the respective Covenantor or his close associates may then pursue such opportunity, provided that the principal terms of which the respective Covenantor or his close associates invest or participate in the Business Opportunity are not more favorable to it than those made available to the Company and such terms shall be fully and timely disclosed to the Company prior to consummation of such declined Business Opportunity;

(d) if either of the Covenantors takes up the Business Opportunity after the Group decides to decline it, the respective Covenantor will grant an option to the Company to purchase the business at an appropriate time. If either of the Covenantors intends to sell his interests in the business arising from the Business Opportunity after it is taken by him, he will inform the Company of the conditions and grant the right of first refusal to the Company. The respective Covenantor shall also provide the information of the Business Opportunity to the Company so that the Company may refer to such information for deciding on whether to exercise the option to purchase the business or the right of first refusal; and

(e) each of the Covenantors shall use his best endeavor to procure his close associates to comply with the provisions in paragraphs (b), (c) and (d) above.

The decision on whether or not to take up the opportunity or exercise the option or the right of first refusal in paragraphs (b), (c) and (d) above will be made by our independent non-executive Directors to ensure that the decision will give due regard to the interests of our independent

Shareholders. Our independent non-executive Directors will consider all relevant factors including any feasibility study, counterparty risk, estimated profitability, our pipeline and the legal, regulatory and contractual landscape with a view to arriving at a decision which is in the best interests of our Company and the Shareholders as a whole.

Notwithstanding the above undertakings, the Covenantors or either of them may either by himself, or through his close associates:

(i) for the purpose of financial investment, purchase or hold the interests in a company which engages or involves in any business which is in competition or is likely to be in competition with the Restricted Business, provided that (a) the aggregate shareholding held by the Covenantors whether directly or indirectly, does not reach 10% of the entire issued share capital of such company; (b) the Covenantors (individually or together) shall not become the single largest shareholder of such company; (c) the proportion of the representatives of the Covenantors at the board of the company (if any) does not substantially exceed the proportion of his shareholding in that company; and (d) the Covenantors are not entitled to appoint the majority of directors of the relevant company; or

(ii) hold any securities in any member of our Group.

For the enforcement of the undertakings contained in the Non-competition Agreement, our Company will adopt the below corporate governance measures:

(a) our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Non-competition Agreement by the Covenantors;

(b) the Covenantors shall promptly provide our independent non-executive Directors all information necessary for the annual review by them and the enforcement of the Non-competition Agreement and provide our Company a confirmation relating to the compliance of the Non-competition Agreement and acknowledge and agree that such annual confirmation will be disclosed in the annual report of the Company; and

(c) our Company shall disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Non-competition Agreement either through the corporate governance report as set out in the annual report of our Company, or by way of announcements to the public.

Corporate Governance Measures

Our Directors believe that there are further adequate corporate governance measures in place to manage the conflicts of interest arising from the potential competing business and to safeguard the interests of the Shareholders, including:

(a) our Board has a balanced composition of executive Directors, non-executive Director and independent non-executive Directors that can facilitate the exercise of independent judgment. With the expertise in their respective professional fields, our Directors believe that the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event that conflicts of interest between our Company and the Covenantors arise;

(b) in the event that any potential conflict of interest arises, i.e. where a Director has an interest in a company that will enter into an agreement with our Group, the Director(s) with an interest in the relevant transaction(s) shall be excluded from the Board deliberation process and abstain from voting, and shall not be counted towards the quorum in respect of the relevant resolution(s) at such Board meeting;

(c) in the event any potential conflict of interest in connection with the Covenantors arises at the shareholders' level, Chairman Zhang and his associates shall abstain from voting in the general meeting of our Company with respect to the relevant resolution(s);

(d) pursuant to the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost; and

(e) we have appointed Anglo Chinese Corporate Finance, Limited as our compliance adviser, which is expected to provide advice and guidance to us in respect of compliance with applicable laws and the Hong Kong Listing Rules, including various requirements relating to directors' duties and internal control.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that we can conduct our business independently from the Controlling Shareholders and their close associates after completion of the Global Offering.

Management Independence

Our Board consists of nine Directors, including five executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors and members of senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. Each of our Directors is aware of his fiduciary duties which require, among other things, that he acts for the benefit of and in the best interests of our Company. Please refer to the section headed "Directors, Supervisors and Senior Management" for details of our Directors and senior management.

Save as disclosed below, none of our Directors and members of senior management performs a management role in any close associate of Chairman Zhang:

Name	Positions in our Company	Name of the close associate of Chairman Zhang	Positions held in the close associate of Chairman Zhang
Chairman Zhang	Founder, chairman of the Board and executive Director	Broad Lingmu Dazheng Investment	Executive director Chairman of the board
Ms. Tang Fen (唐芬)	Executive Director and president	Dazheng Investment	Director
Ms. Shi Donghong (石東紅)	Executive Director, vice president, chief financial officer, secretary of the Board and company secretary	Dazheng Investment	Director

We believe that our Directors and senior management are able to perform their roles in our Company independently of our Controlling Shareholders and their close associates and that our Company is therefore capable of managing its business independently of our Controlling Shareholders and their close associates after the Listing for the following reasons:

(a) the corporate governance procedures of the Board set out in the Articles of Association include provisions to avoid conflicts of interest by providing, among other things, that in the event of a conflict of interest, such as resolutions regarding transactions with a Controlling Shareholder and/or his associates, the relevant Director(s) who are connected with the Controlling Shareholder shall abstain from voting on such matters and shall not be counted toward the quorum. Further, when the Company considers connected transactions and competition matters, the independent non-executive Directors will review the relevant transactions;

(b) Ms. Tang Fen and Ms. Shi Donghong serve as directors in Dazheng Investment, which is an employee stock ownership platform of the Company. Apart from this, neither Ms. Tang Fen nor Ms. Shi Donghong holds any management position in any close associate of Chairman Zhang;

(c) even though Chairman Zhang, Ms. Tang Fen and Ms. Shi Donghong perform management roles in certain close associates of Chairman Zhang as elaborated in the above table, each of them will ensure that he will allocate sufficient time and energy in the management of the business and operation of our Group;

(d) each of our Directors is aware of his fiduciary duties as a Director, which require, among other things, that he acts for our Company's best interest and that of the Shareholders as a whole; and

(e) we have appointed three independent non-executive Directors, comprising not less than one-third of our Board with a view to oversee affairs of our Company and the interests of our Company and the Shareholders as a whole.

On the basis outlined above, the Directors are of the view that the Company has its own management team that it is capable of maintaining management independence from the Controlling Shareholders and their close associates.

Operational Independence

We possess sufficient capital, assets, property, equipment, operating facilities, technology, credit facilities and human resources to operate our business independently. We have obtained relevant licenses, approvals, and permits from relevant regulatory authorities which are material to our operation in the PRC. We are fully enabled to make operational and financial decisions and implement such decisions. We have access to independent suppliers for the operation of our business, as well as access to independent customers. We have also established a set of internal control procedures to facilitate and maintain the independent operation of our business. Our decisions are made by our Board, which is independent from the Controlling Shareholders and their close associates.

Moreover, our Company owns tangible assets and intangible assets, including registered trademarks, brands, patents and other intangible assets independent from the Controlling Shareholders and their close associates, which contribute to our ability to operate in our business independently from the Controlling Shareholders and their close associates. In addition, we believe that our internal control procedures ensure conflicts or potential conflicts of interest are adequately managed to safeguard the interests of the Shareholders as a whole.

We will also adopt measures to ensure the oversight and the enforceability of the Non-competition Agreement among our Company and the Covenantors. Please refer to "—Non-competition Agreement and Undertakings" for detailed corporate governance measures. The Group has its own administration and personnel capable of performing all administrative functions, including internal control and audit monitor, financial and accounting management, human resources and information technology.

Based on the above, the Directors are of the view that our Company operates independently from our Controlling Shareholders and their close associates.

Financial Independence

We have our own independent finance department with a team of independent financial staff who are responsible for our financial management, accounting, reporting, funding and internal control functions independently from the Controlling Shareholders and their close associates.

We can make financial decisions independently, and the Controlling Shareholders and their close associates do not interfere with our use of funds. We have also established an independent audit system, a standardized accounting system and a comprehensive financial management system. In addition, we maintain and manage bank accounts independently and the Controlling Shareholders and their close associates do not share any bank account with us. We have made tax filings and paid tax independently from our Controlling Shareholders and their close associates pursuant to applicable laws and regulations.

No loans or guarantees provided by, or granted to, the Controlling Shareholders and their close associates will be outstanding as of the Listing Date.

Based on the above, the Directors are of the view that the Company is financially independent from the Controlling Shareholders and their close associates.

You should read the following discussion and analysis in conjunction with consolidated financial statements, including the notes thereto set out in the section headed "Appendix I— Accountants' Report" to this prospectus and the selected historical financial information presented elsewhere in this prospectus. Our consolidated financial statements were prepared in accordance with IFRSs.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make considering our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in the sections headed "Risk Factors", "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are the pioneer and leader in the industrialization of the construction industry in the PRC. Leveraging on our strong technology capability accumulated throughout years and continuous innovation and research and development efforts, we have become a platform to provide comprehensive solutions of the industrialization of the construction industry in the PRC, which comprise globalized, scalable, professionalized and intelligent manufacturing of prefabricated buildings and relevant services. Set out below are the major businesses that we engage in:

- PC unit manufacturing business: with our in-house PC-CPS system, we achieved mass production of customized PC units, and provide PC units to different customers according to the construction progress of different projects;
- PC equipment manufacturing business: we provide equipment specially designed for PC units manufacturing and value-added services to the Joint Factories; and
- Construction contracting business: we act as the construction contractor of prefabricated construction operation for selective projects.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our revenue were RMB1,671.5 million, RMB1,935.7 million, RMB2,269.1 million and RMB646.0 million, respectively, while our profit for the year/period were RMB197.6 million, RMB168.4 million, RMB466.3 million and RMB35.2 million, respectively.

BASIS OF PRESENTATION

Our financial information includes the financial statements of our Company and its subsidiaries during the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting periods as our Company by adopting the consistent accounting policies. The results of subsidiaries are consolidated from the date on which our Group obtained control, and continue to be consolidated until the date on which such control ceases.

Our financial information was prepared in accordance with IFRS. Our financial information has been prepared under the historical cost convention, except for investment properties and financial assets which have been measured at fair value, and is presented in Renminbi.

FACTORS AFFECTING OUR RESULTS OF OPERATION

Our business and past financial position and results of operation were affected by several key factors, which we believe will continue to affect our financial position and results of operation in the future. The key factors that affect our results of operation are as follows:

General Economic Conditions in the PRC and Government Policies related to the PRC Construction Industry

The PRC construction industry is to a large extent affected by the economic conditions of the PRC. General economic conditions in the PRC have affected and may continue to affect our business and results of operation. Our revenue directly correlates with the prosperity level of construction activities in the PRC. Currently, the construction industry in the PRC is undergoing the process of industrialization transformation. Following the aging of population, the decrease of labor force and a growing concern of environmental protection in the PRC, the traditional construction industry, which is labor-intensive and has a significant adverse impact on the environment, is transforming into industrialized production model of prefabricated construction. Under such conditions, the PRC government has implemented a series of supportive policies and has uplifted the development of prefabricated construction to one of the national strategies. According to Frost & Sullivan, the PC units and PC production equipment markets grew from 2013 to 2018 at a CAGR of 119.6% and 134.0%, respectively, and were expected to reach a market scale of approximately RMB305.3 billion and RMB11.8 billion, respectively, in 2023. Particularly in the markets of Hunan Province and Eastern China where we have the greatest market share, the new floor area for the prefabricated concrete building is expected to grow by 53.8% and 55.6%, respectively, from 2018 to 2023 according to Frost & Sullivan. We believe, as a market leader, we can expand our business and enhance our profitability by capitalizing the opportunity that comes with the fast and significant growth of prefabricated construction industry in the PRC. The fast growth of prefabricated construction industry in the PRC has contributed and will continue to contribute to our profit growth. Any changes in national or local policies relating to prefabricated construction industry in the PRC may affect the prosperity level of activity of the industry, land supply, project financing, taxation, local fiscal budget and regulations regarding the involvement of private enterprises in infrastructure industry. For details, please refer to the sections headed "Risk Factor—Risks Relating to Our Businesses and Industries—Our business and future growth may be affected by the macro economic conditions in the PRC" and "Risk Factors—Risks Relating to Our Businesses and Industries—Our business and future growth are subject to changes in construction industry in the PRC".

Segment Contributions

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our revenue was derived from PC unit manufacturing business, PC equipment manufacturing business and construction contracting business.

For the year ended December 31, 2016, our revenue was mainly derived from construction contracting business, which accounted for 53.8% of our total revenue for the year while PC unit manufacturing business and PC equipment manufacturing business accounted for 26.4% and 19.8% of our total revenue for the year, respectively. We have decided to focus on PC unit manufacturing and PC equipment manufacturing business since 2016. For the year ended December 31, 2017, the revenue generated from construction contracting business dropped to 10.8% of the total revenue for the year, while the revenue generated from PC unit manufacturing business and PC equipment manufacturing business accounted for 46.0% and 43.2% of the total revenue for the year. For the year ended December 31, 2018, the revenue generated from construction contracting business dropped to 8.3% of the total revenue for the year, while revenue generated from PC unit manufacturing business and PC equipment manufacturing business accounted for 37.7% and 54.0% of the total revenue for the year. For the four months ended April 30, 2019, the percentage of the revenue generated from PC unit manufacturing business increased to 54.3% of our total revenue for the period, primarily due to significantly increased sales volume of our PC units as a result of the growth of the market; the revenue generated from construction contracting business increased to 11.9% of our total revenue for the period, primarily due to the increase of the amount of construction work completed; meanwhile the percentage of the revenue generated from PC equipment manufacturing business decreased to 33.8% of our total revenue for the period, primarily due to the increase of our total revenue. As the gross profit margin varied by different business segments, our gross profit margins for the specific periods were affected by the proportion of revenue contribution of the three business segments. As such, any factors which have a material impact on our business segments will have a material impact on our overall results of operation.

Project Progress

Our operating revenue is affected by the progress of construction projects. During the Track Record Period, we derived revenue from PC unit manufacturing business, PC equipment manufacturing business and construction contracting business. For PC unit manufacturing business, our revenue is recognized when our customers occupy and accept our products, which is usually subject to the progress of their construction projects. For construction contracting business, our revenue is recognized by stage according to the construction progress, and is hence also subject to the construction progress of the project. As construction projects last for a relatively long duration, their progress depends on many factors that are out of our control, such as weather conditions and liquidity of our clients.

Pricing of Our Products

We obtained almost half of our PC unit manufacturing projects and construction contracting projects through open tendering processes, where we compete with our competitors, primarily including large scale state-owned construction enterprises and other PC unit manufacturers. We expect to face increasing competition from the domestic players in the industry. On one hand, the marketability of our products and services may be affected if considered overpriced and sold at lower profit and the profitability of our products and services may be affected. On the other hand, under-pricing of our products and services may hinder our ability to offset addition costs resulting from the increase in costs of raw materials, subcontracting, labor or others, and thus lower our profit, which will have a material adverse effect on our financial condition and results of operation.

We determined the quotations of our PC units and construction contracting services primarily based on raw material cost, labor cost, and transportation cost with reference to the market price. We determined the price of our PC equipment with reference to equipment manufacturing costs and value-added services. In some regions, we follow the market guidance price stipulated by local governments and the market guidance price in respect of PC units, which may not take into reference our actual manufacturing cost, which in turn affects our profit in these projects and poses material impact on our operation results and financial positions. Please refer to the sections headed "Risk Factors—Risks Relating to Our Business and Industries—We face intensive competition in the industry of the PRC." and "Risk Factors—Risks Relating to Our Business and Industries—The predetermined price contracts that we are involved in may delay, change, or terminate due to the price fluctuation of raw materials and other uncontrollable factors, and therefore may cause losses and result in profit decrease."

Cost of Materials

During the Track Record Period, our cost of sales was primarily derived from the cost of materials, which includes direct material costs for our PC manufacturing business, equipment materials for our PC equipment manufacturing business and direct material costs for our construction contracting business. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, cost of materials accounted for 41.7 %, 62.6 %, 64.5% and 61.5% of our total cost of sales, respectively. In 2016, the proportion of cost of raw materials was relatively lower than that of 2017, 2018 and the four months ended April 30, 2019, primarily attributable to the large amount of construction projects we undertook in 2016, where most of the raw materials costs were included in the subcontracting costs in the construction contracting business and the increase of bulk commodity prices in 2017, 2018 and the four months ended April 30, 2019 as compared to that of 2016. Most of our raw materials are commodity, the availability and price range of which primarily depend on the geographical location and domestic market conditions. For illustrative purpose only, the table below sets forth the impacts of fluctuations of cost of raw materials for all our business segments on our profits for the indicated periods, with all other variables held constant (including, among others, the unit price or total price of the contracts):

	Increase/(Decrease) of the profits for the year ended December 31,						Increase/(Decrease) of the profits for the four months ended April 30,			
	2016		2017		2018		2018		2019	
	(RMB million)	%	(RMB million)	%	(RMB million)	%	(RMB million) (unaudited)	%	(RMB million)	%
Raw material costs decrease by 5%	22.3	11.3	38.5	22.9	49.8	10.7	7.3	19.5	14.9	42.2
Raw material costs increase by 5%	(22.3)	(11.3)	(38.5)	(22.9)	(49.8)	(10.7)	(7.3)	(19.5)	(14.9)	(42.2)

Most of the contracts for PC unit manufacturing and construction contracting business were awarded to us and entered into based on a predetermined unit price or total price. Certain of our contracts contain price adjustment terms, requiring adjustments to the contract value when the market prices of certain raw materials (mostly cements and rebar) increased by a certain ratio (generally 5%). However, in case of a 5% or lower fluctuation, we may have to bear the increased cost. Please refer to the sections headed "Risk Factors—Risks Related to Our Businesses and Industries—The predetermined price contracts that we are involved in may delay, change, or terminate due to the price fluctuation of raw materials and other uncontrollable factors, and therefore may cause losses and result in profit decrease." and "Risk Factors—Risks Related to Our Businesses and Industries—We have limited customer base for our PC equipment, and our PC equipment production is exposed to OEM risks."

Research and Development Expenditure

As one of our core competitive strengths, we enhance construction efficiency by industrializing and intellectualizing our manufacturing and construction process. In order to maintain the leading position in the prefabricated construction industry, we have to continuously design and develop effective softwares, standards and information models, optimize resource allocation in various steps of prefabricated construction, speed up the construction of information infrastructure and platform, so as to realize the whole process operation on one platform and optimize our production capacity and its utilization.

Our ability to develop new softwares, standards, information models may have a positive impact on our financial positions and results of operation in the long run. In 2016, 2017 and 2018 and the four months ended April 30, 2019, our total research and development expenditure were RMB116.6 million, RMB143.3 million, RMB207.7 million and RMB63.0 million, which primarily includes staff remuneration, material costs, design and testing fee. For more details on our research and development strategies, please refer to the section headed "Business—Research and Development".

Labor cost

During the Track Record Period, our labor cost mainly consists of staff remuneration of PC unit manufacturing and construction contracting business. In 2016, 2017 and 2018 and the four months ended April 30, 2019, direct labor cost accounted for 17.9%, 14.7%, 14.3% and 14.1% of the total costs of sales in PC unit manufacturing business, respectively. In addition, our subcontracting costs also include the labor cost of our subcontractors.

Our PC equipment manufacturing adopts the OEM model. We pay service fees to OEM services suppliers and installation fees to third party subcontractors, of which labor costs usually constitute a component. Therefore, if labor costs in the PRC increase due to the lack of workforce as a result of aging population or increasing requirements of government policies on labor welfare, our costs of sales, and thus our profits, may be affected, and our results of operation and financial positions will be significantly affected.

Business Model of Broad Homes United Program

During the Track Record Period, we invested in the Joint Factories with selected local partners through the Broad Homes United Program to manufacture PC units. The Joint Factories are recorded as associates or financial assets at fair value through profit or loss. We usually hold 35% of equity interests in the Joint Factories and do not exercise control over them. Associates are entities in which we have significant influence over their financial and operational policy decisions while for those we do not have significant influence on, we record the interest in those Joint Factories as financial assets at fair value through profit or loss upon loss of significant influence. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, since some of the Joint Factories were under construction or trial operation or still in ramp-up period, we recorded losses in our investments in associates as a whole of RMB17.1 million, RMB69.7 million, RMB98.3 million and RMB26.3 million, respectively. On the other hand, we record one-off gains or losses on loss of significant influence in certain associates when such associate is remeasured as financial assets at fair value through profit or loss. Due to its non-routine nature, any gain or loss may affect our profit for a specific period. For the year ended in December 31, 2018 and the four months ended April 30, 2019, we recorded gains on loss of significant influence in associate of RMB261.5 million and RMB87.3 million respectively. If we had not remeasured such Joint Factories as financial assets at fair value through profit or loss in 2018 and the four months ended April 30, 2019, we would have recorded a negative share of profits less losses of associates of RMB136.2 million for the year ended December 31, 2018 and RMB61.6 million for the four months ended April 30, 2019[Note]. We expect such impact will continue in the future as there may be more associates being remeasured as financial assets at fair value

Note : according to the management accounts of such Joint Factories.

through profit or loss in the future. In addition, our fair value gain or loss recognized in respect of financial assets at fair value through profit or loss will affect our profit.

Taxation

Currently, we and our certain subsidiaries are identified as high-tech enterprises, eligible for a preferential tax rate of 15%. There is no assurance that we will continue to enjoy the preferential tax treatment after the term expires. Please refer to the section headed "Risk Factors—Risks relating to the PRC—Under the PRC Enterprise Income Tax Law, we may cease to be classified as a "high-tech enterprise" of the PRC and thus could result in unfavorable tax consequences to us." During the Track Record Period, our certain subsidiaries are subject to the statutory tax rate of 25% applicable to PRC enterprises. In addition, some of our qualified research and development expenditure enjoyed an additional 50% corporate income tax deduction in 2016 and 2017 and such percentage level rose to 75% in 2018. If we could not maintain the status of high-tech enterprises of our certain subsidiaries or the continuous innovation of our products, it may have an adverse effect on our cash flow and results of operation.

As a result of the above preferential tax treatment and tax reduction, our effective tax rates in 2016, 2017 and 2018 and the four months ended April 30, 2019 were 18.6%, 29.4%, 15.9% and 13.6%, respectively. Any termination or change in the various preferential tax treatment that we and our certain subsidiaries currently enjoy may have an adverse effect on our results of operation and financial position.

Government Grants

During the Track Record Period, we recorded government grants of RMB56.7 million, RMB56.1 million, RMB34.2 million and RMB11.0 million, respectively. Our new wall material products obtained the approval for VAT refunds and enjoy immediate refund of 50% of VAT payment. If we could not maintain the continuous innovation of our products, we may not enjoy those VAT incentives and would be subject to a VAT of 13%. In addition, we applied for and obtained grants from local and central government of the PRC, which primarily include industry development funds and government subsidies for development and construction of property, plant and equipment. Government grants other than VAT refunds, are not provided on a regular basis but on a case by case basis in accordance with national and local laws and regulations. Failure to obtain government subsidies may materially and adversely affect our financial positions and operation results.

SIGNIFICANT ACCOUNTING POLICIES

Our significant accounting policies are set out in Note 2 in the section headed "Appendix I—Accountants' Report". Our accounting policies are important for understanding our financial positions and operation results. The adoption of IFRS 9 and IFRS 15 has no significant impact on our financial position or performance when compared to the adoption of IAS 39 and IAS 18. We initially applied IFRS 16 at January 1, 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. The adoption of IFRS 16 has no significant impact on the financial position and performance when compared to that of IAS 17. Please refer to Note 2(d) in the section headed "Appendix I—Accountants' Report."

Intangible Assets—Capitalization of Development Cost

Our capitalized development costs are mainly incurred with respect to industrial building structure system technology, process construction technology, equipment manufacturing technology and digital support technology, which are amortized on a straight-line basis over the estimated economic lives of ten years commencing in the year when they are available for use. They are estimated to have economic lives of ten years considering the following factors:

- the economic benefits from using such technologies are expected to be received by way of developing new generation of PC units and PC equipment, improving production efficiency and production quality as well as realizing industrial informationization and intelligent manufacturing through a long period of time;
- even though we experienced multiple product updates in a relatively short period of time (i.e. releasing our fourth-generation products in 2008, fifth-generation in 2014 and sixth-generation in 2015), the actual production generation update frequency was approximately five years based on the experience in the past ten years. Generally, our industrial building structure system technology, process construction technology, equipment manufacturing technology and digital support technology were initially developed and expected to be used for at least two generations of products; and
- with reference to IAS 38, the estimated economic lives of ten years reflect the pattern of our receiving of future economic benefits from such technologies. In addition, the estimated economic lives also reflect the legal restrictions on the period of time that we have control over the access to such economic benefits because the general legal protection duration for our patents are between ten to 20 years.

Details of the estimated useful lives of intangible assets are disclosed in Note 2(k) to the Historical Financial Information of the Group for the Track Record Period in the section headed "Appendix I—Accounts' Report". The Reporting Accountants' opinion on the Historical Financial Information of the Group as a whole is set out on page I-2 of the section headed "Appendix I—Accounts' Report".

Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with the actual results during the Track Record Period and we have consistently applied these estimates or underlying assumptions during the Track Record Period. We will continuously assess our assumptions and estimates going forward.

SELECTED FINANCIAL INFORMATION

The following table sets forth the summary of our consolidated income statement for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Revenue	1,671,495	1,935,689	2,269,129	355,308	646,009
Cost of sales	(1,069,012)	(1,230,759)	(1,544,582)	(251,288)	(483,173)
Gross profit	602,483	704,930	724,547	104,020	162,836
Valuation gains on investment properties	—	13,966	53,871	40,468	—
Other income	50,825	53,069	32,044	15,504	11,624
Sales and distribution expenses	(80,309)	(110,611)	(111,746)	(30,771)	(61,741)
General and administrative expenses	(161,226)	(174,037)	(229,182)	(58,034)	(68,449)
Research and development expenses	(96,383)	(115,063)	(125,971)	(39,690)	(38,039)
Profit from operations	315,390	372,254	343,563	31,497	6,231
Finance costs	(55,322)	(77,382)	(72,412)	(24,858)	(34,098)
Share of profits less losses of associates	(17,120)	(69,731)	(98,321)	(38,451)	(26,305)
Gains on disposal of subsidiaries	—	13,509	108,439	—	—
Gains on loss of significant influence in associates	—	—	261,494	70,557	87,343
Gains on disposal of partial interest in associates	—	—	—	—	7,580
Gains on disposal of associates	—	—	11,506	11,506	1
Profit before tax	242,948	238,650	554,269	50,251	40,752
Income tax	(45,302)	(70,259)	(87,965)	(12,790)	(5,535)
Profit for the year/period	197,646	168,391	466,304	37,461	35,217

DESCRIPTION OF SELECTED COMPONENTS OF OUR INCOME STATEMENTS

Revenue

During the Track Record Period, we generated our revenue from PC unit manufacturing business, PC equipment manufacturing business and construction contracting business.

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

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
PC unit manufacturing	441,887	26.4	891,159	46.0	854,334	37.7	132,517	37.3	350,651	54.3
PC equipment manufacturing	330,411	19.8	836,196	43.2	1,226,268	54.0	196,818	55.4	218,429	33.8
Construction contracting	899,197	53.8	208,334	10.8	188,527	8.3	25,973	7.3	76,929	11.9
Total	**1,671,495**	**100.0**	**1,935,689**	**100.0**	**2,269,129**	**100.0**	**355,308**	**100.0**	**646,009**	**100.0**

When recognizing the revenue for sales of PC equipment, we combined the contract for the sales of PC equipment and right to use intellectual property (if any), as for PC equipment, installation and debugging service, production management training, after-sale service and right to use intellectual property are highly interrelated and are all integral parts of the PC equipment. Revenue from the sales of PC equipment was recognized when we delivered, installed, debugged the PC equipment and fulfill the production management training (including training with respect to the use of our intellectual property) to the Joint Factories.

During the Track Record Period, our revenue was affected by seasonality. As advised by Frost & Sullivan, workforce shortage generally occurs during the Chinese New Year's holiday, and cold weather negatively impacts the construction activity. Consequently, the new floor area of construction projects in the first quarter is generally at the lowest level in the entire year, which results in lower market demand of PC units. Meanwhile, our PC equipment manufacturing business may also experience the longer lead time and delay in installation and commissioning. Our relatively lower revenue of PC unit manufacturing and PC equipment manufacturing business during the first quarter of the year was in line with the industry norm and as a result, the quarterly revenue of PC unit manufacturing and PC equipment manufacturing business generally accounts for a relatively smaller portion of revenue of an entire year.

Cost of Sales

Our cost of sales consists principally of the procurement cost of raw materials and equipment, manufacturing costs, staff costs and subcontracting fees.

The table sets forth a breakdown of our cost of sales by business segment for the indicated periods:

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
PC unit manufacturing	264,239	24.7	606,622	49.3	650,691	42.1	109,165	43.4	278,863	57.7
PC equipment manufacturing	195,198	18.3	474,730	38.6	759,864	49.2	122,380	48.7	146,348	30.3
Construction contracting	609,575	57.0	149,407	12.1	134,027	8.7	19,743	7.9	57,962	12.0
Total	**1,069,012**	**100.0**	**1,230,759**	**100.0**	**1,544,582**	**100.0**	**251,288**	**100.0**	**483,173**	**100.0**

The tables set forth a breakdown of major components of our cost of sales by nature for the indicated periods:

PC unit manufacturing business

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Direct material costs	143,003	54.1	378,616	62.4	387,614	59.6	56,952	52.2	172,405	61.8
Direct labor costs	47,283	17.9	89,050	14.7	92,866	14.3	14,287	13.1	39,308	14.1
Overhead expenses	73,953	28.0	138,956	22.9	170,211	26.1	37,926	34.7	67,150	24.1
Total	**264,239**	**100.0**	**606,622**	**100.0**	**650,691**	**100.0**	**109,165**	**100.0**	**278,863**	**100.0**

The direct material costs mainly include the costs for purchasing the necessary materials for manufacturing our PC units, such as steel and concrete materials; the direct labor costs mainly include the salaries, social insurance and benefits of our manufacturing staff; and the overhead expenses mainly include depreciation and amortization costs, salaries, social insurance and benefits of our manufacturing management staff as well as utility costs.

PC equipment manufacturing business

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Equipment materials	131,286	67.3	361,021	76.0	566,778	74.6	83,523	68.2	109,400	74.8
Installation fee	57,901	29.7	82,365	17.4	141,310	18.6	26,762	21.9	21,821	14.9
Overhead expenses	6,011	3.0	31,344	6.6	51,776	6.8	12,095	9.9	15,127	10.3
Total	**195,198**	**100.0**	**474,730**	**100.0**	**759,864**	**100.0**	**122,380**	**100.0**	**146,348**	**100.0**

The equipment materials costs mainly include the costs we paid to the OEM service providers for manufacturing of our PC equipment; the installation fee mainly includes the costs of the on-site installation of the PC equipment conducted by us; the overhead expenses represent other auxiliary expenses in associated with PC equipment manufacturing, including costs incurred in connection with our provision of technical support and trainings to the Joint Factories with respect to the use and operation of the PC equipment, salaries and business and travel expenses of our manufacturing management personnel in the PC equipment manufacturing business, and equipment testing costs.

Construction contracting business

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000) (unaudited)	%	(RMB'000)	%
Direct material costs	171,416	28.1	31,093	20.8	41,421	30.9	5,662	28.7	15,418	26.6
Subcontracting costs	377,532	61.9	109,270	73.1	84,374	63.0	12,005	60.8	38,266	66.0
Overhead expenses	60,627	10.0	9,044	6.1	8,232	6.1	2,076	10.5	4,278	7.4
Total	**609,575**	**100.0**	**149,407**	**100.0**	**134,027**	**100.0**	**19,743**	**100.0**	**57,962**	**100.0**

The direct material costs mainly include the costs for necessary materials, such as PC units, steel bars, concrete and other auxiliary materials; the subcontracting costs mainly include the costs for subcontracting the labor services, pile foundation engineering and other specific works; and the overhead expenses mainly include the costs incurred during the construction work of the project, such as salaries of our project staff.

Gross Profit and Gross Profit Margin

Our gross profit is calculated on the total revenue less total cost of sales. The gross profit of each segment is calculated on the revenue of the segment less cost of sales of the segment. Our gross profit margin is calculated based on our gross profit divided by our total revenue. The gross profit margin of each segment is calculated based on the gross profit of the segment divided by the revenue of the segment. The table sets forth a breakdown of our gross profit and gross profit margin by business segment for the indicated periods:

	Year ended December 31,									Four months ended April 30,					
	2016			2017			2018			2018			2019		
	Gross profit	Percentage	Gross profit margin	Gross profit	Percentage	Gross profit margin	Gross profit	Percentage	Gross profit margin	Gross profit	Percentage	Gross profit margin	Gross profit	Percentage	Gross profit margin
	(RMB'000)	%	%	(RMB'000)	%	%	(RMB'000)	%	%	(RMB'000)	% (unaudited)	%	(RMB'000)	%	%
PC unit manufacturing	177,648	29.5	40.2	284,537	40.4	31.9	203,643	28.1	23.8	23,353	22.4	17.6	71,788	44.1	20.5
PC equipment manufacturing	135,213	22.4	40.9	361,466	51.2	43.2	466,404	64.4	38.0	74,437	71.6	37.8	72,082	44.3	33.0
Construction contracting . . .	289,622	48.1	32.2	58,927	8.4	28.3	54,500	7.5	28.9	6,230	6.0	24.0	18,966	11.6	24.7
Total	**602,483**	**100.0**	**36.0**	**704,930**	**100.0**	**36.4**	**724,547**	**100.0**	**31.9**	**104,020**	**100.0**	**29.3**	**162,836**	**100.0**	**25.2**

Valuation Gains on Investment Properties

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we recorded valuation gains on investment properties of nil, RMB14.0 million, RMB53.9 million and nil, primarily as a result of the significant appreciation in values of our investment properties (mainly commercial real estate) in 2017 and 2018.

Other Income

Other income principally consists of government grants and income or loss on disposal of assets.

The table below sets forth the major components of our other income for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Government grants	56,723	56,094	34,184	15,685	11,036
Loss on disposal of property, plant, equipment . .	(5,417)	(2,577)	(1,514)	(77)	(1,006)
Others	(481)	(448)	(626)	(104)	1,594
Total	**50,825**	**53,069**	**32,044**	**15,504**	**11,624**

During the Track Record Period, we were entitled to VAT refunds, and at the same time, we also applied for and obtained government grants from local and central governments of the PRC, which primarily include industry development funds and government subsidies for development and construction of property, plant and equipment. Despite the fact that the government usually provides grants annually, the grants, except for VAT refunds, are not provided on a regular basis but on a case by case basis in accordance with national and local laws and regulations.

During the Track Record Period, we incurred loss on disposal of assets, which primarily relates to the disposal of machineries in relation to construction contracting business.

Sales and Distribution Expenses

Our sales and distribution expenses principally consist of freight, staff remuneration, fees including operation cost and promotion fee, after-sale service fee and depreciation and amortization. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our sales and distribution expenses amounted to RMB80.3 million, RMB110.6 million, RMB111.7 million and RMB61.7 million, respectively, representing 4.8%, 5.7%, 4.9% and 9.6% of our total revenue for the same period, respectively. We recorded a significant increase in sales and distribution expenses as a proportion to the total revenue for the four months ended April 30, 2019, primarily due to (i) the significant increased share of revenue contributed by PC unit manufacturing business, where freight expenses were mostly incurred, especially for our wholly-owned PC factory in Tianjin where we generated significantly increased share of revenue as well as incurred increased share of freight expenses, as a result of long transportation distance to the clients in Beijing and relatively higher average unit freight expenses; (ii) a significant increase in staff remuneration caused by higher bonuses awarded to sales personnel for the collection of trade debtors and bills receivable primarily related to PC unit manufacturing business; and (iii) a substantial increase in after-sale service fee primarily attributable to the occurrence of a one-off maintenance work.

The table below sets forth a breakdown of our sales and distribution expenses for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Freight	35,422	55,342	44,058	8,940	23,807
Staff remuneration	13,576	27,088	28,013	8,719	15,848
After-sale service fee	4,857	5,669	2,626	709	11,788
Fees including operation cost and promotion fee	14,162	7,288	13,789	4,293	3,988
Depreciation and amortization	2,117	1,324	922	255	251
Others	10,175	13,900	22,338	7,855	6,059
Total	**80,309**	**110,611**	**111,746**	**30,771**	**61,741**

General and Administrative Expenses

Our general and administrative expenses consist principally of remuneration for administrative staff and amortization and depreciation. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our general and administrative expenses were RMB161.2 million, RMB174.0 million, RMB229.2 million and RMB68.4 million, respectively, representing 9.6%, 9.0%, 10.1% and 10.6% of our total revenue for the same year, respectively.

Under IFRS 9, we measure loss allowances for trade debtors, bills receivable, other receivables and contract assets at an amount equal to lifetime expected credit losses (ECLs), which is calculated by using a provision matrix. Based on our historical credit loss experience over the past five years, we expected more credit losses on trade debtors, bills receivable, other receivables and contract assets that are overdue for a longer period of time. During the Track Record Period, our impairment losses increased from RMB1.5 million for the year ended December 31, 2016 to RMB23.1 million for the year ended December 31, 2017 and further to RMB78.1 million for the year ended December 31, 2018, as well as from RMB8.1 million for the four months ended April 30, 2018 to RMB14.9 million for the four months ended April 30, 2019, primarily due to the increased outstanding balance of our trade debtors and bills receivable and the aging of the trade debtors and bills receivable. Especially in 2018, due to the increased overdue status of trade receivables, bills receivables and other receivables from PC equipment manufacturing business and PC unit manufacturing business, we recorded a significant increase in bad debt provision in 2018.

The table below sets forth the breakdown of our general and administrative expenses for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Staff remuneration	54,673	47,383	47,481	15,173	23,810
Includes: share-based payment	*13,868*	*13,868*	*13,868*	*4,623*	*6,401*
Business taxes and surcharges[(1)]	26,054	38,973	36,179	13,907	6,457
Depreciation and amortization	26,237	26,578	22,050	8,992	8,825
Bad debt provision	1,501	23,073	78,120	8,093	14,944
Office expenses, travel expenses	13,008	6,984	10,434	3,141	4,496
Rental fee	8,443	3,357	2,516	1,129	764
Others	31,310	27,689	32,402	7,599	9,153
Total	**161,226**	**174,037**	**229,182**	**58,034**	**68,449**

Note:

(1) The business taxes and surcharges mainly include the PRC's urban maintenance and construction tax, education fee surcharge and local education surcharge, which are levied based on the actual payments of value-added tax for the period indicated.

Research and Development expenses

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our total research and development expenditure (including, among other things, staff remuneration, material costs and design and testing fees) amounted to RMB116.6 million, RMB143.3 million, RMB207.7 million and RMB63.0 million, respectively, of which the research and development expenses amounted to RMB96.4 million, RMB115.1 million, RMB126.0 million and RMB38.0 million, respectively. Capitalized research and development expenditure amounted to RMB20.2 million, RMB28.2 million, RMB81.8 million and RMB25.0 million, respectively for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, accounting for 17.3%, 19.7%, 39.4% and 39.7%, respectively of our total research and development expenditure of the same year.

The table below sets forth the major components of our research and development expenses for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Staff remuneration	40,173	69,712	108,144	38,408	39,485
Material costs	65,043	53,470	68,365	12,881	15,028
Depreciation and amortization	3,480	5,410	11,555	3,619	5,238
Design and testing fee	1,872	5,769	15,675	2,362	829
Others	5,999	8,898	3,984	5,543	2,466
Total research and development expenditure	116,567	143,259	207,723	62,812	63,045
Capitalization of research and development expenditure	(20,184)	(28,196)	(81,752)	(23,122)	(25,006)
Total	**96,383**	**115,063**	**125,971**	**39,690**	**38,039**

Finance Costs

Our finance costs principally consist of interest expenses on bank loans and other borrowings, interest expenses and obligations under financial leases. In 2016, 2017 and 2018 and the four months ended April 30, 2019, our finance costs were RMB55.3 million, RMB77.4 million, RMB72.4 million and RMB34.1 million, respectively.

The table below sets forth the breakdown of our finance costs for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Interest on bank loans and other borrowings	43,990	66,077	72,030	26,064	34,317
Interest on discounted bills	8,700	13,578	5,649	491	302
Finance charges on obligations under finance leases	7,023	1,412	—	—	—
Interest on lease liabilities	—	—	—	—	656
Interest income	(4,391)	(3,685)	(5,267)	(1,697)	(1,177)
Total	**55,322**	**77,382**	**72,412**	**24,858**	**34,098**

Share of Profits Less Losses of Associates

During the Track Record Period, we invested in Joint Factories with selected local partners through Broad Homes United Program to manufacture PC units. Our share of profit less loss of associates is the profit less loss attributable to us from our associates pursuant to our equity interests in such associates. We recorded losses in our investments in associates as a whole during the Track Record Period as some of the Joint Factories were under construction or trial operation or still in ramp-up period and have not yet recorded any profit from their operation. As such, we recorded negative share of profits less losses of associates of RMB17.1 million, RMB69.7 million, RMB98.3 million and RMB26.3 million, respectively, for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019. However, based on the internal feasibility study we conducted before investing in the Joint Factories, we would generally expect the Joint Factory to record profits after three to five years and achieve payback after eight years commencing from the signing date of the joint venture agreement. As most of the Joint Factories were established less than three years, we expect we may continue to record negative share of profits less losses of associates in near future although six of the Joint Factories (which are recorded as associates) recorded profit in the year ended December 31, 2018*Note*.

Gains on Disposal of Subsidiaries

We recorded gains on disposal of a subsidiary of RMB13.5 million in 2017 as we lost control of a subsidiary and RMB108.4 million in 2018 for the disposal of three subsidiaries.

Gains on Loss of Significant Influence in Associates

During the Track Record Period, we have extended our footprint in the cities and regions across the PRC by establishing Joint Factories to capture the opportunity to promote our brand and the production and management system of PC units manufacturing. In 2017 alone, we entered into joint venture agreements for 44 new Joint Factories in aggregate. The revenue generated from the PC units manufacturing business increased by 101.7% in 2017 from 2016. With the quick expansion of the network of Joint Factories and the rapid growth of business volume of wholly-owned PC factories, we encountered increasing challenges in participating in the management and decision-making of each Joint Factory through appointing director and arranging experienced management personnel. Therefore, we explored and sought for a management model for Joint Factories which is suitable for our current development. In late 2017, we adjusted the management model of Joint Factories and formulated the "two-level management strategy" on Joint Factories. Since early 2018, we started to implement the "two-level management strategy". Subject to the consent of the JF Partners, we withdrew from participating in the decision-making process of the key operational management of certain Joint Factories, to better respond to the challenges imposed on our limited management resources with our implementation of Broad Homes United Program. As a result, 30 Joint Factories that we had made the capital contribution to were remeasured as financial assets at fair value through profit or loss in 2018. We recorded gains on loss of significant influence in associates of RMB261.5 million in 2018 which was resulted from the remeasurement of 30 Joint Factories that we had made capital contribution to as financial assets at fair value through profit or loss. For the four months ended April 30, 2019, we recorded gains on loss of significant influence in associates of RMB87.3 million from the remeasurement of four Joint Factories that we had made capital contribution to as financial assets at fair value through profit or loss in this period.

The fair value of the Joint Factories as financial assets at fair value through profit or loss was determined by the valuation. The valuer engaged by us adopted the Comparable Transaction Method under the Market Approach to determine the fair value of such financial assets. Compared with other valuation methods, such as discounted cash flow approach, the market approach is more appropriate to reflect the fair value of the financial assets considering the development status of the Joint Factories and the availability of comparable transactions. The future financial results of the Joint Factories remeasured was uncertain and unpredictable as they were all in their respective initial set-up period or had not yet to commence their operation. In addition, there were some recent financing and comparable transactions occurred which can support the valuation. To determine the appropriate valuation multiple for the valuation of financial assets, the stage of development of Joint Factories has been considered and used as a key assumption. The Joint Factories that were remeasured as financial assets were all in their respective initial set-up period or were yet to commence their operation, which is consistent with

Note : according to the management accounts of such Joint Factories.

the Joint Factories in the comparable transactions. They were making losses due to lack of economies of scales or had not yet commenced operation and the accumulated losses incurred in the early stage of a company cannot be viewed as an impairment of initial investment cost under Market Approach, which constitute the other two key assumptions. On the other hand, the prospect of the prefabricated construction industry is positive with supportive government policies. In addition, there are several comparable transactions completed in 2017 and 2018. As a result, the implied transaction multiples, namely the Price/Invested Capital and P/B, can be calculated and adopted in the valuation analysis as key ratios. Furthermore, the Guideline Company Method has been adopted for reasonableness check.

As the fair value of the financial assets exceeded the amounts of interest in associates before loss of significant influence in such target companies, gains on loss of significant influence in associates were recorded accordingly.

If we had not remeasured such Joint Factories as financial assets at fair value through profit or loss in 2018 and the four months ended April 30, 2019, we would have recorded a negative share of profits less losses of associates of RMB136.2 million for the year ended December 31, 2018 and RMB61.6 million for the four months ended April 30, 2019[Note]. We did not remeasure any associate as financial assets at fair value through profit or loss in 2016 and 2017.

Gains on Disposal of Partial Interest in Associates

For the four months ended April 30, 2019, we recorded gains on disposal of partial interest in associates of RMB7.6 million due to the disposal of part of our equity interest in one associate to a third party. No such gains or losses were recorded in 2016, 2017 or 2018.

Gains on Disposal of Associates

In 2016 and 2017, no gains or losses on disposal of associates were recorded. In 2018, we disposed one associate as we ceased to produce one of our products, and thus recorded gains on disposal of associates of RMB11.5 million. For the four months ended April 30, 2019, we recorded gains on disposal of associates of RMB512 due to the deregistration of one associate.

Income Tax

Our income tax expenses consist principally of corporate income tax and movements in deferred tax assets. In 2016, 2017 and 2018 and the four months ended April 30, 2019, our income tax were RMB45.3 million, RMB70.3 million, RMB88.0 million and RMB5.5 million, respectively and our effective tax rates for the same years were 18.6%, 29.4%, 15.9% and 13.6%, respectively. During the Track Record Period and up to the Latest Practicable Date, we have performed all our tax obligations and did not have any unresolved tax disputes.

During the Track Record Period and up to the Latest Practicable Date, our Company and many of our subsidiaries were entitled to the preferential tax rate of 15% granted to high-tech enterprises and other tax reductions. Any termination or significant reduction in the preferential tax treatment we currently enjoy may adversely affect our results of operation and financial position. Please refer to the section headed "Risk Factors—Risks Relating to the PRC—Under the PRC Enterprise Income Tax Law, we may cease to be classified as a "high-tech" enterprise of the PRC and thus could result in unfavorable tax consequences to us."

Note : according to the management accounts of such Joint Factories.

RESULTS OF OPERATION

Four Months Ended April 30, 2019 Compared to Four Months Ended April 30, 2018

Revenue

Our total revenue significantly increased by 81.8% to RMB646.0 million for the four months ended April 30, 2019 from RMB355.3 million for the four months ended April 30, 2018.

	Four months ended April 30,			
	2018		2019	
	(RMB'000) (unaudited)	%	(RMB'000)	%
Revenue:				
PC unit manufacturing	132,517	37.3	350,651	54.3
PC equipment manufacturing	196,818	55.4	218,429	33.8
Construction contracting	25,973	7.3	76,929	11.9
Total	**355,308**	**100.0**	**646,009**	**100.0**

For the four months ended April 30, 2019, the revenue from the PC unit manufacturing business significantly increased by 164.6% to RMB350.7 million from RMB132.5 million for the four months ended April 30, 2018, primarily due to the significant increase in the sales volume of PC units from 50,415 cubic meters for the four months ended April 30, 2018 to 128,439 cubic meters for the four months ended April 30, 2019, as well as the slight increase of average unit price of PC units from RMB2,629 per cubic meter for the four months ended April 30, 2018 to RMB2,730 per cubic meter for the four months ended April 30, 2019 as a result of the increase in price of raw materials and the increase in sales volume in Tianjin, Hangzhou and Shanghai, where the PC units were sold at relatively higher average unit prices.

For the four months ended April 30, 2019, the revenue from the PC equipment manufacturing business increased by 11.0% to RMB218.4 million from RMB196.8 million for the four months ended April 30, 2018. Before deducting our unrealized internal revenue derived from our transactions with the Joint Factories under the equity method, the revenue from the PC equipment manufacturing business for the four months ended April 30, 2019 decreased by 23.2% to RMB237.5 million from RMB309.4 million for the four month ended April 30, 2018, primarily due to the decreased average selling price[Note] of the PC equipment from RMB19.3 million per production line for the four months ended April 30, 2018 to RMB18.3 million per production line for the four months ended April 30, 2019, as well as the decreased sales volume of PC equipment to the Joint Factories from 16 production lines for the four months ended April 30, 2018 to 13 production lines for the four months ended April 30, 2019. The decreased average selling price for the four months ended April 30, 2019 was caused by a discounted selling price we offered to one existing Joint Factory to expand its production capacity.

For the four months ended April 30, 2019, the revenue from the construction contracting business significantly increased by 196.2% to RMB76.9 million from RMB26.0 million for the four months ended April 30, 2018, primarily due to the increased amount of construction work completed for the four months ended April 30, 2019 as compared to the four months ended April 30, 2018.

Note : The average selling price of the PC equipment equals to the revenue from the PC equipment manufacturing business before deducting our unrealized internal revenue derived from our transactions with the Joint Factories under the equity method divided by the sales volume of the PC equipment.

Cost of sales

Our cost of sales significantly increased by 92.3% to RMB483.2 million for the four months ended April 30, 2019 from RMB251.3 million for the four months ended April 30, 2018.

	Four months ended April 30,			
	2018		2019	
	(RMB'000) (unaudited)	%	(RMB'000)	%
Cost of sales:				
PC unit manufacturing	109,165	43.4	278,863	57.7
PC equipment manufacturing	122,380	48.7	146,348	30.3
Construction contracting	19,743	7.9	57,962	12.0
Total	**251,288**	**100.0**	**483,173**	**100.0**

For the four months ended April 30, 2019, our cost of sales for the PC unit manufacturing business significantly increased by 155.5% to RMB278.9 million from RMB109.2 million for the four months ended April 30, 2018, primarily due to the significant increase in our sales volume of PC units by 154.8% for the four months ended April 30, 2019 as compared to the four months ended April 30, 2018.

For the four months ended April 30, 2019, our cost of sales for the PC equipment manufacturing business increased by 19.6% to RMB146.3 million from RMB122.4 million for the four months ended April 30, 2018, primarily due to the increase in price of OEM services.

For the four months ended April 30, 2019, our cost of sales for the construction contracting business significantly increased by 193.6% to RMB58.0 million from RMB19.7 million for the four months ended April 30, 2018, which was in line with the increase in our revenue from construction contracting business resulting from the increase in the amount of work completed for projects entered into before 2016.

Gross profit and gross profit margin

Our overall gross profit increased by 56.5% to RMB162.8 million for the four months ended April 30, 2019 from RMB104.0 million for the four months ended April 30, 2018.

	Four months ended April 30,					
	2018			2019		
	Gross Profit	Percentage	Gross profit margin	Gross Profit	Percentage	Gross profit margin
	(RMB'000)	% (unaudited)	%	(RMB'000)	%	%
PC unit manufacturing	23,353	22.4	17.6	71,788	44.1	20.5
PC equipment manufacturing	74,437	71.6	37.8	72,082	44.3	33.0
Construction contracting	6,230	6.0	24.0	18,966	11.6	24.7
Total	**104,020**	**100.0**	**29.3**	**162,836**	**100.0**	**25.2**

The gross profit from our PC unit manufacturing business significantly increased by 207.4% from RMB23.4 million for the four months ended April 30, 2018 to RMB71.8 million for the four months ended April 30, 2019. The gross profit margin of our PC unit manufacturing business increased from 17.6% for the four months ended April 30, 2018 to 20.5% for the four months ended April 30, 2019. The increase in the gross profit of our PC unit manufacturing business was primarily due to the significant increase in our revenue, as well as the increased gross profit margin as a result of the increase in the unit price of PC units sold while the average cost per unit remained relatively stable.

The gross profit from our PC equipment manufacturing business slightly decreased by 3.2% from RMB74.4 million for the four months ended April 30, 2018 to RMB72.1 million for the four months ended April 30, 2019. The gross profit margin of our PC equipment manufacturing business decreased from 37.8% for the four months ended April 30, 2018 to 33.0% for the four months ended April 30, 2019. The decrease in the gross profit and gross profit margin of our PC equipment manufacturing business is primarily due to the decreased average selling price for the four months ended April 30, 2019 caused by a discounted selling price we offered to one existing Joint Factory to expand its production capacity.

The gross profit from our construction contracting business increased by 204.4% from RMB6.2 million for the four months ended April 30, 2018 to RMB19.0 million for the four months ended April 30, 2019, primarily due to the increase of the amount of construction work completed for the four months ended April 30, 2019 as compared to the four months ended April 30, 2018. The gross profit margin of our construction contracting business was 24.0% for the four months ended April 30, 2018 and 24.7% for the four months ended April 30, 2019, remaining relatively stable.

In view of the reasons above, our gross profit margin decreased from 29.3% for the four months ended April 30, 2018 to 25.2% for the four months ended April 30, 2019.

Valuation gains from investment properties

We did not record valuation gains from investment properties for the four months ended April 30, 2019 while for the four months ended April 30, 2018, we recorded valuation gains from investment properties of RMB40.5 million, primarily due to the significant increase of real estate price as a result of development of ancillary facilities surrounding our properties for the four months ended April 30, 2018.

Other income

Other income decreased from RMB15.5 million for the four months ended April 30, 2018 to RMB11.6 million for the four months ended April 30, 2019, primarily due to the decrease of VAT refund for the four months ended April 30, 2019 as compared to the four months ended April 30, 2018.

Sales and distribution expenses

Sales and distribution expenses significantly increased by 100.6% from RMB30.8 million for the four months ended April 30, 2018 to RMB61.7 million for the four months ended April 30, 2019, representing 8.7% and 9.6% of our revenue during the respective period. The significant increase in the sales and distribution expenses was primarily due to (i) the significant increase in freight fee as a result of the significant increase in the sales volume of our PC units; (ii) the increase in after-sale service fee as a result of one-off repair fee for one construction project; and (iii) the increase in staff remuneration primarily attributable to the increase in remuneration for sales and marketing personnel in the PC unit manufacturing business.

General and administrative expenses

For the four months ended April 30, 2018 and 2019, our general and administrative expenses were RMB58.0 million and RMB68.4 million respectively, an increase of 17.9%, representing 16.3%

and 10.6% of our revenue during the respective period. The increase of general and administrative expenses was primarily due to (i) the increase of bad debt provision as a results of the increased balances of trade debtors and bills receivable and aging of the trade debtors and bills receivable; and (ii) the increase of staff remuneration, partially offset by the decrease in business taxes and surcharges for the four months ended April 30, 2019 as compared to the four months ended April 30, 2018 due to the decrease in VAT paid during the period, as the PRC's urban maintenance and construction tax, education fee surcharge and local education surcharge, which together constitute the main part of business taxes and surcharges, are levied based on the actual payment of VAT. In January 2018, we incurred VAT payment of RMB80.4 million, as opposed to that of RMB6.2 million in January 2019, mainly due to the fact that we issued VAT invoices for prepayments received from certain customers in December 2017 (our VAT payment obligation arose on the date when these invoices were issued and was due in the following month pursuant to the applicable PRC tax laws) and the available purchase related VAT offset the sales related VAT in December 2017 and 2018.

Research and development expenses

Research and development expenses slightly decreased from RMB39.7 million for the four months ended April 30, 2018 to RMB38.0 million for the four months ended April 30, 2019, remaining relatively stable.

Finance costs

Finance costs increased by 37.2% from RMB24.9 million for the four months ended April 30, 2018 to RMB34.1 million for the four months ended April 30, 2019, primarily due to the increase in our borrowings.

Share of profits less losses of associates

Our share of losses of associates (less profits) decreased by 31.6% from RMB38.5 million for the four months ended April 30, 2018 to RMB26.3 million for the four months ended April 30, 2019, primarily due to the improved financial performance of the Joint Factories that were recorded as our associates.

Gains on loss of significant influence in associates

We recorded gains on loss of significant influence in associates of RMB70.6 million and RMB87.3 million for the four months ended April 30, 2018 and April 30, 2019, respectively, from the remeasurement of Joint Factories that we had made capital contribution to in the respective period.

Gains on disposal of partial interest in associates

For the four months ended April 30, 2019, we recorded gains on disposal of partial interest in associates of RMB7.6 million because we disposed part of our equity interest in one Joint Factory to a third party. We did not record gains on disposal of partial interest in associates for the four months ended April 30, 2018.

Gains on disposal of associates

For the four months ended April 30, 2019, we recorded gains on disposal of associates of RMB512 due to the deregistration of one associate. For the four months ended April 30, 2018, we recorded gains on disposal of associates of RMB11.5 million due to the disposal of one associate as we ceased to produce one of our products.

Profit before taxation

Our profit before tax decreased from RMB50.3 million for the four months ended April 30, 2018 to RMB40.8 million for the four months ended April 30, 2019.

Income tax

Our income tax decreased by 56.7% from RMB12.8 million for the four months ended April 30, 2018 to RMB5.5 million for the four months ended April 30, 2019, primarily due to (i) decrease in profit before tax; (ii) increase in non-taxable gains on loss of significant influence in associates; and (iii) increase in non-taxable share of profits less losses of associates. Our effective tax rates for the four months ended April 30, 2018 and 2019 were 25.5% and 13.6%, respectively. Our effective tax rate substantially decreased primarily due to the decrease in our income tax.

Profits for the period

In view of the reasons above, our profit for the period remained relatively stable at RMB37.5 million and RMB35.2 million for the four months ended April 30, 2018 and 2019.

2018 Compared to 2017

Revenue

Our total revenue increased by 17.2% to RMB2,269.1 million in 2018 from RMB1,935.7 million in 2017.

	2017		2018	
	(RMB'000)	%	(RMB'000)	%
Revenue:				
PC unit manufacturing	891,159	46.0	854,334	37.7
PC equipment manufacturing	836,196	43.2	1,226,268	54.0
Construction contracting	208,334	10.8	188,527	8.3
Total	**1,935,689**	**100.0**	**2,269,129**	**100.0**

In 2018, the revenue from the PC unit manufacturing business slightly decreased by 4.1% to RMB854.3 million from RMB891.2 million in 2017, primarily due to the decrease in sales volume of PC units from 378,852 cubic meters in 2017 to 294,160 cubic meters in 2018 as a result of the decrease of the demand for PC units caused by the delay of the construction progress of our certain clients' construction projects as well as the decrease in construction activity in certain regions in the PRC, which was partially offset by the increase of average unit price of PC units from RMB2,352 per cubic meter in 2017 to RMB2,904 per cubic meter in 2018 as a result of the increased cost of raw materials (mainly cement).

In 2018, revenue from the PC equipment manufacturing business increased by 46.7% to RMB1,226.3 million from RMB836.2 million in 2017, primarily due to (i) the increased sales volume of PC equipment to the Joint Factories from 70 production lines in 2017 to 82 production lines in 2018 as a result of the increased demand from the increased number of Joint Factories along with our expansion of the Joint Factories network; and (ii) the increased average selling price[Note] of the PC equipment from RMB18.1 million per production line in 2017 to RMB19.0 million per production line in 2018 which reflected the increased fees charged for the intellectual property right we provided as a value-added service.

In 2018, revenue from our construction contracting business decreased by 9.5% to RMB188.5 million from RMB208.3 million in 2017, primarily due to the decrease of the amount of construction work completed in 2018 as compared to that of in 2017 as a result of (i) the change of our business focus from construction contracting business to the PC unit manufacturing business and the PC equipment manufacturing business; and (ii) the completion of construction projects on hand.

Cost of sales

Our cost of sales increased by 25.5% from RMB1,230.8 million in 2017 to RMB1,544.6 million in 2018.

	2017		2018	
	(RMB'000)	%	(RMB'000)	%
Cost of sales:				
PC unit manufacturing	606,622	49.3	650,691	42.1
PC equipment manufacturing	474,730	38.6	759,864	49.2
Construction contracting	149,407	12.1	134,027	8.7
Total	**1,230,759**	**100.0**	**1,544,582**	**100.0**

In 2018, our cost of sales from the PC unit manufacturing business increased by 7.3% to RMB650.7 million from RMB606.6 million in 2017, primarily due to (i) the increase of labor cost and depreciation and amortization as a result of our business expansion; and (ii) the increase in raw material prices (mainly cement).

In 2018, our cost of sales from the PC equipment manufacturing business increased by 60.1% to RMB759.9 million from RMB474.7 million in 2017, primarily due to the increased number of Joint Factories as a result of our expansion in Joint Factories network and the increase in price of OEM service caused by the increase of bulk commodity prices (mainly steel) in the market.

In 2018, our cost of sales from construction contracting business decreased by 10.3% to RMB134.0 million from RMB149.4 million in 2017, which is in line with the decrease of the revenue from our construction contracting business due to (i) the change of our business focus from construction contracting business to the PC unit manufacturing business and the PC equipment manufacturing business; and (ii) the completion of construction projects on hand.

Note: the average selling price of the PC equipment equals to the revenue from the PC equipment manufacturing business before deducting our unrealized internal revenue derived from our transactions with the Joint Factories under the equity method divided by the sales volume of the PC equipment.

Gross profit and gross profit margin

Our overall gross profit slightly increased from RMB704.9 million in 2017 to RMB724.5 million in 2018, remaining relatively stable.

	2017			2018		
	Gross profit	**Percentage**	**Gross profit margin**	**Gross profit**	**Percentage**	**Gross profit margin**
	(RMB'000)	**%**	**%**	**(RMB'000)**	**%**	**%**
PC unit manufacturing	284,537	40.4	31.9	203,643	28.1	23.8
PC equipment manufacturing	361,466	51.2	43.2	466,404	64.4	38.0
Construction contracting	58,927	8.4	28.3	54,500	7.5	28.9
Total	**704,930**	**100.0**	**36.4**	**724,547**	**100.0**	**31.9**

The gross profit from our PC unit manufacturing business decreased by 28.4% from RMB284.5 million in 2017 to RMB203.6 million in 2018. The gross profit margin of our PC unit manufacturing business decreased from 31.9% in 2017 to 23.8% in 2018. The decrease in the gross profit and gross profit margin of our PC unit manufacturing business is primarily due to (i) the increase in prices of raw materials including steel, cement and gravel in 2018 while our ability to timely and fully adjust contract price is limited by certain pre-determined price contracts; (ii) the increase of depreciation as a result of the increasing number of equipment for the purpose of our business expansion, while the utilization of these equipment remained relatively low; and (iii) the increase in the salaries of production personnel as a result of our business expansion.

The gross profit from our PC equipment manufacturing business increased by 29.0% from RMB361.5 million in 2017 to RMB466.4 million in 2018, primarily due to the increased number of Joint Factories as a result of the expansion of Joint Factories network, which thereby increased our sales to the Joint Factories. The gross profit margin of our PC equipment manufacturing business decreased from 43.2% in 2017 to 38.0% in 2018, primarily due to the increase in OEM service fees as a result of the increase of bulk commodity prices (mainly steel) in the market.

The gross profit from our construction contracting business slightly decreased from RMB58.9 million in 2017 to RMB54.5 million in 2018 which is in line with the decrease in our revenue. The gross profit margin of our constructing contracting business remained relatively stable for the same year.

In view of the reasons above, our gross profit margin decreased from 36.4% in 2017 to 31.9% in 2018.

Valuation gains from investment properties

The valuation gains from investment properties increased significantly from RMB14.0 million in 2017 to RMB53.9 million in 2018, primarily due to the significant increase of real estate price as a result of development of ancillary facilities surrounding our properties.

Other income

Other income has decreased from RMB53.1 million in 2017 to RMB32.0 million in 2018. The decrease is primarily due to the decrease of subsidies from the government, the decrease of VAT refund as a result of the decrease of VAT payment for the year, partially offset by the decrease of loss on disposal of assets.

Sales and distribution expenses

In 2017 and 2018, our sales and distribution expenses were RMB110.6 million and RMB111.7 million respectively, representing 5.7% and 4.9% respective of our revenue during the same year. The decrease of the percentage of sales and distribution expenses in our revenue during in 2018 as compared to that of 2017 was primarily due to the increase of our revenue in 2018 as compared to that in 2017.

General and administrative expenses

In 2017 and 2018, our general and administrative expenses were RMB174.0 million and RMB229.2 million respectively, representing 9.0% and 10.1% respective of our revenue during the same year. The increase of general and administrative expenses was primarily due to (i) the increase of bad debt provision from contract assets, trade receivables, bills receivable and other receivables, as a result of the long aging of such assets; and (ii) the increase of office and travel expenses during the same year.

Research and development expenses

In 2017 and 2018, our research and development expenses were RMB115.1 million and RMB126.0 million respectively, representing 5.9% and 5.5% respective of our revenue during the same year. The increase of research and development expenses was primarily due to the significant increase in research and development expenditure attributable to the accelerated development of new products and the PC-CPS, the effect of which was partially offset by the increase in capitalization of research and development expenditure in line with the progress of research and development.

Finance costs

Finance costs decreased by 6.4% from RMB77.4 million in 2017 to RMB72.4 million in 2018, primarily due to the decrease in interest on discounted bills.

Share of profits less losses of associates

Our share of losses of associates (less profits) increased by 41.0% from RMB69.7 million in 2017 to RMB98.3 million in 2018, primarily due to the expansion of Joint Factories network, and the fact that some of the Joint Factories were under construction or trial operation or still in ramp-up period.

Gains on disposal of subsidiaries

In 2017 and 2018, we recorded gains from disposal of subsidiaries of RMB13.5 million and RMB108.4 million respectively. The increase in gains from disposal of subsidiaries was primarily due to the disposal of three subsidiaries in 2018.

Gains on loss of significant influence in associates

In 2018, we recorded gains on loss of significant influence in associates of RMB261.5 million, primarily due to loss of significant influence in our associates, i.e. 30 Joint Factories that we had made capital contribution to that were remeasured as financial assets at fair value through profit or loss in 2018.

Gains on disposal of associates

In 2018, we recorded gains on disposal of associates of RMB11.5 million due to the disposal of one associate as we ceased to produce one of our products. No gains or losses on disposal of associates were recorded in 2017.

Profit before taxation

Our profit before tax significantly increased from RMB238.7 million in 2017 to RMB554.3 million in 2018, primarily due to (i) our further business expansion in 2018; (ii) the gains on loss of significant influence in associates as a result of the remeasurement of 30 Joint Factories that we had made capital contribution to as financial assets at fair value through profit or loss in 2018; and (iii) the gains on disposal of subsidiaries and associates of RMB119.9 million in total in 2018.

Income tax

Our income tax increased by 25.2% from RMB70.3 million in 2017 to RMB88.0 million in 2018, primarily due to the increase in our profit before taxation along with our business expansion. Our effective tax rates in 2017 and 2018 were 29.4% and 15.9%, respectively. Our effective tax rate substantially decreased primarily due to the fact that gains on loss of significant influence in associates was not taxable.

Profits for the year

In view of the reasons above, our net profit significantly increased from RMB168.4 million in 2017 to RMB466.3 million in 2018.

2017 Compared to 2016

Revenue

Our total revenue increased by 15.8% from RMB1,671.5 million in 2016 to RMB1,935.7 million in 2017.

	2016		2017	
	(RMB'000)	%	(RMB'000)	%
Revenue:				
PC unit manufacturing	441,887	26.4	891,159	46.0
PC equipment manufacturing	330,411	19.8	836,196	43.2
Construction contracting	899,197	53.8	208,334	10.8
Total	**1,671,495**	**100.0**	**1,935,689**	**100.0**

In 2017, our revenue from PC unit manufacturing business increased by 101.7% to RMB891.2 million from RMB441.9 million in 2016, primarily due to (i) the significant increase in sales volume of PC units from 191,800 cubic meters in 2016 to 378,852 cubic meters in 2017, which was attributable to the growth of our PC unit manufacturing business along with the significant growth of prefabricated construction market in the PRC as a result of promotion of prefabricated buildings by the government; and (2) the increase in the unit price of PC units from RMB2,304 per cubic meter in 2016 to RMB2,352 per cubic meter in 2017 as a result of the increased price of raw material (mainly cement).

In 2017, our revenue from the PC equipment manufacturing business increased by 153.1% to RMB836.2 million from RMB330.4 million in 2016, mainly because (i) the significant increase in sales volume of PC equipment to the Joint Factories from 28 production lines in 2016 to 70 production lines in 2017 as a result of increased number of Joint Factories along with the expansion of Joint Factories network; and (ii) the slight increase in the average selling price[Note] of the PC equipment from RMB18.0 million per production line in 2016 to RMB18.1 million per production line in 2017.

In 2017, our revenue from our construction contracting business decreased by 76.8% to RMB208.3 million from RMB899.2 million in 2016, primarily due to (i) the change of our business focus from the construction contracting business to the PC unit manufacturing business and the PC equipment manufacturing business; and (ii) the completion of construction projects on hand.

Cost of sales

Our cost of sales increased by 15.1% from RMB1,069.0 million in 2016 to RMB1,230.8 million in 2017.

	2016		2017	
	(RMB'000)	%	(RMB'000)	%
Cost of sales:				
PC unit manufacturing	264,239	24.7	606,622	49.3
PC equipment manufacturing	195,198	18.3	474,730	38.6
Construction contacting	609,575	57.0	149,407	12.1
Total	**1,069,012**	**100.0**	**1,230,759**	**100.0**

In 2017, our cost of sales of PC unit manufacturing business increased by 129.6% to RMB606.6 million from RMB264.2 million in 2016, primarily due to the significant increase of the sales volume of the PC units, which was in line with the significant growth of prefabricated construction market in the PRC as a result of promotion of prefabricated buildings by the government, and the increase in price of raw material (especially cement and steel).

In 2017, our cost of sales of PC equipment manufacturing business increased by 143.2% to RMB474.7 million from RMB195.2 million in 2016, primarily due to the significant increase of the sales volume of the PC equipment which was in line with the significant growth of prefabricated construction market in the PRC as a result of promotion of prefabricated buildings by the government.

In 2017, our cost of sales of construction contracting business decreased by 75.5% from RMB609.6 million in 2016 to RMB149.4 million primarily due to a decrease in demand for raw materials and staff as a result of the decrease of construction works resulting from the change of business focus from the construction contracting business to the PC unit manufacturing business and the PC equipment manufacturing business and the completion of construction projects on hand.

Gross profit and gross profit margin

Our overall gross profit increased by 17.0% from RMB602.5 million in 2016 to RMB704.9 million in 2017. The overall gross profit margin remained stable at 36.0% in 2016 and 36.4% in 2017.

Note: the average selling price of the PC equipment production lines equals to the revenue from the PC equipment manufacturing business before deducting our unrealized internal revenue derived from our transactions with the Joint Factories under the equity method divided by the sales volume of the PC equipment production lines.

	2016			2017		
	Gross profit	Percentage	Gross profit margin	Gross profit	Percentage	Gross profit margin
	(RMB'000)	%	%	(RMB'000)	%	%
PC unit manufacturing	177,648	29.5	40.2	284,537	40.4	31.9
PC equipment manufacturing	135,213	22.4	40.9	361,466	51.2	43.2
Construction contracting	289,622	48.1	32.2	58,927	8.4	28.3
Total	**602,483**	**100.0**	**36.0**	**704,930**	**100.0**	**36.4**

Our gross profit for PC unit manufacturing business increased by 60.2% from RMB177.6 million for the year ended December 31, 2016 to RMB284.5 million for the year ended December 31, 2017, primarily due to the increase in the revenue of PC units manufacturing business. In 2017, our gross profit margin of PC unit manufacturing business decreased to 31.9% from 40.2% in 2016, primarily because (i) our labor costs and depreciation and amortization increased as a result of business expansion; and (ii) our raw material prices increased as a result of increase of market price of bulk commodity.

Our gross profit for PC equipment manufacturing business increased by 167.3% from RMB135.2 million for the year ended December 31, 2016 to RMB361.5 million for the year ended December 31, 2017, which was in line with the increase in the revenue of the PC equipment manufacturing business. The gross profit margins of our PC equipment manufacturing business increased from 40.9% in 2016 to 43.2% in 2017, primarily due to the increase in business volume as a result of significant growth of PC unit manufacturing market driven by the introduction of supportive government policy.

Our gross profit for construction contracting business significantly decreased from RMB289.6 million for the year ended December 31, 2016 to RMB58.9 million for the year ended December 31, 2017, which was in line with the decrease in revenue. In 2016 and 2017, the gross profit margin of our construction contracting business remained relatively stable.

Sales and distribution expenses

In 2016 and 2017, our sales and distribution expenses were RMB80.3 million and RMB110.6 million, respectively, representing 4.8% and 5.7% of our revenue during the same year. The increase of sales and distribution expenses was primarily due to (i) the increase in sales volume of PC units, resulting in an increase of transportation expenses; and (ii) the expansion of our business, which caused an increase of sales activities and resulted in an increase of number of employees and their remuneration.

General and administrative expenses

In 2016 and 2017, our general and administrative expenses were RMB161.2 million and RMB174.0 million, respectively, representing 9.6% and 9.0% of our revenue during the same year. The increase of general and administrative expenses was primarily due to the increase of bad debt provision from contract assets, trade receivables, bill receivables and other receivables. The increase of asset impairment losses is primarily due to the long aging of relevant contract assets, accounts receivables and bill receivables.

Research and development expenses

In 2016 and 2017, our research and development expenses were RMB96.4 million and RMB115.1 million, respectively, representing 5.8% and 5.9% respective of our revenue during the same year. The increase of research and development expenses was primarily due to (i) the increase in number of research and development projects which were related to the production and installation of prefabricated panels; and (ii) the increase in number of our research and development personnel as well as the increase in investment on respective ancillary research and development facilities.

Finance costs

Our finance costs increased by 39.9% from RMB55.3 million in 2016 to RMB77.4 million in 2017, primarily due to the expansion of our business during the period, resulting in the increase of our outstanding balance of borrowings as well as the increase in interest expenses accordingly.

Share of profits less losses of associates

Our share of loss of associates (less profits) significantly increased from RMB17.1 million in 2016 to RMB69.7 million in 2017, primarily due to the expansion of the Joint Factories network, and the fact that some of the Joint Factories were under construction or trial operation.

Gains on disposal of subsidiaries

We recorded gains on disposal of subsidiaries of RMB13.5 million in 2017 since our equity interest in one of our wholly-owned subsidiaries was diluted, which resulted in our lost of control of the such company. In 2016, we did not record any gains on disposal of subsidiaries.

Profit before tax

Our profit before tax slightly decreased from RMB242.9 million in 2016 to RMB238.7 million in 2017.

Income tax

Our income tax increased by 55.1% from RMB45.3 million in 2016 to RMB70.3 million in 2017. The effective tax rates in 2016 and 2017 were 18.6% and 29.4%, respectively. The increase of our effective tax rate was primarily attributable to the significant increase in temporary difference for which no deferred tax assets was recognized, and partially offset by tax effect of tax concession.

Profit for the year

In view of the above reasons, our net profit has decreased by 14.8% from RMB197.6 million in 2016 to RMB168.4 million in 2017.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements through cash flow generated from operation and financing. Our primary liquidity requirements are to finance working capital, fund the payment of interest and principal due on our indebtedness and fund capital expenditures and growth and expansion of our facilities and operations. Going forward, we expect these requirements will continue to be our primary liquidity requirements, and we may use a portion of the proceeds from the Global Offering to finance part of the capital requirements.

As of August 31, 2019 (being the latest practicable date to determine our indebtedness), our banking facilities was approximately RMB4,460.0 million, of which approximately RMB1,347.0 million remained unutilized, and our cash and cash equivalents amounted to RMB308.6 million.

Cash Flow

The following table sets forth the summary of our cash flow for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Net cash generated from operating activities	497,484	883,488	618,296	218,009	120,589
Net cash used in investing activities	(576,501)	(1,105,251)	(785,560)	(521,074)	(286,929)
Net cash generated from/(used in) financing activities	217,813	617,916	(212,203)	(90,381)	164,791
Cash and cash equivalents at the beginning of the year/period	140,993	279,789	675,942	675,942	296,475
Cash and cash equivalents at the end of the year/period	279,789	675,942	296,475	282,496	294,926

Net cash generated from operating activities

Net cash generated from operating activities mainly consists of profit before tax adjusted for non-cash items, such as depreciation of property, plant and equipment, amortization of lease prepayments and intangible assets and finance costs, and the effects of changes in working capital, such as the increase or decrease in inventories, trade and bill receivables, contract assets, contract liabilities and other receivables as well as trade and other payables.

Cash flow from operating activities may be significantly affected by factors such as the timing of collections of trade and bill receivables, advances from customers and amounts of trade and other payables in the ordinary course of business.

For the four months ended April 30, 2019, we recorded net cash generated from operating activities of RMB120.6 million, primarily as a result of the cash inflow from operating activities before the movement in working capital of RMB72.5 million, and adjusted for: (i) the decrease in contract assets of RMB104.6 million, primarily due to the certification of contract assets of projects; and (ii) the increase in contract liabilities of RMB18.4 million, primarily due to the increase in the prepayment received as a result of the growth of our PC unit manufacturing business, the effects of which were partially offset by (i) the increase in inventories of RMB32.8 million, primarily due to our increased production volume of PC units; and (ii) the decrease in trade and other payables of RMB29.8 million, primarily due to the settlement between the suppliers and us for the four months ended April 30, 2019.

In 2018, we recorded net cash generated from operating activities of RMB618.3 million, primarily as a result of the cash inflow from operating activities before the movement in working capital of RMB503.4 million, and adjusted for: (i) a decrease of inventories of RMB203.8 million, primarily due to the application of PC-CPS and the commencement of production of several Joint Factories, resulting in decrease in finished products of PC equipment in our inventory; and (ii) a decrease of contract assets of RMB187.1 million, primarily due to the completion of projects, the effects of which were partially offset by (i) the decrease in contract liabilities of RMB230.9 million, primarily due to the increased recognition of revenue as a result of the completion of certain projects, which offset our contract liabilities; and (ii) income tax paid of RMB95.1 million.

In 2017, we recorded net cash generated from operating activities of RMB883.5 million, primarily as a result of the cash inflow from operating activities before the movement in working capital of RMB508.1 million, and adjusted for: (i) a decrease of contract assets of RMB515.5 million, primarily due to the completion of projects; (ii) an increase of trade and other payables of RMB191.2 million, primarily due to the increase in payables to third parties as a result of the increase in business volume; and (iii) an increase of contract liabilities of RMB224.9 million, primarily as a result of the growth of business volume, the effects of which were partially offset by (i) an increase of trade and other receivables of RMB360.9 million primarily due to increase in our business volume and (ii) an increase of inventories of RMB151.5 million primarily due to increase in our business volume.

In 2016, we recorded net cash generated from operating activities of RMB497.5 million, primarily as a result of the cash inflow generated from operating activities before the movement in working capital of RMB420.2 million, and adjusted for: (i) a decrease of contract assets of RMB134.8 million, primarily due to the completion of projects; (ii) an increase of trade and other payables of RMB135.6 million, primarily as a result of the increase in business volume; and (iii) an increase of contract liabilities of RMB373.4 million, primarily due to the increase in advances received as a result of the growth of business volume, the effects of which were partially offset by (i) an increase of trade and other receivables of RMB306.1 million primarily due to increase in our business volume and (ii) an increase of inventories of RMB207.5 million primarily due to increase in our business volume. For details of reasons for the increase of trade and other receivables and inventories in the indicated period, please refer to the sections headed "—Liquidity and Capital Resources—Inventories" and "—Liquidity and Capital Resources—Trade and Other Receivables."

Net cash used in investing activities

Our cash outflow from investing activities primarily consists of payment for the purchase of property, plant and equipment, lease prepayment and intangible assets and payment for investment in associates. Our cash inflow from investing activities primarily consists of proceeds from disposal of property, plant and equipment and interest received.

For the four months ended April 30, 2019, we recorded net cash outflow from investing activities of RMB286.9 million, primarily due to (i) payment for purchases of property, plant and equipment, lease prepayments and payment of intangible assets of RMB247.4 million; (ii) payment for purchase of financial assets at fair value through profit or loss of RMB63.2 million; and (iii) payment for interest in associates of RMB39.1 million, the effects of which were partially offset by (i) proceeds from sales of investments in subsidiaries of RMB46.6 million and (ii) proceeds from sales of interest in associates of RMB15.0 million.

For the year ended December 31, 2018, we recorded net cash outflow from investing activities of RMB785.6 million, primarily due to (i) purchases of property, plant and equipment, lease prepayment and payment of intangible assets of RMB524.9 million; (ii) payment of investment in associates of RMB359.0 million; and (iii) payment for purchase of financial assets at fair value through profit or loss of RMB91.0 million, the effects of which were partially offset by proceeds of RMB144.9 million from disposal of subsidiaries.

In 2017, we recorded net cash outflow from investing activities of RMB1,105.3 million, primarily due to (i) purchases of property, plant and equipment and payment of intangible assets of RMB343.4 million; and (ii) payment of investment in associates of RMB749.0 million.

In 2016, we recorded net cash outflow from investing activities of RMB576.5 million, primarily due to (i) purchases of property, plant and equipment and payment of intangible assets of RMB208.0 million; and (ii) payment of investment in associates of RMB361.3 million.

Net cash generated from/(used in) financing activities

Our cash inflow generated from financing activities primarily consists of interest-bearing borrowings. Our cash outflow generated from financing activities primarily consists of interest expenses and financing leases expenses.

For the four months ended April 30, 2019, we recorded net cash inflow from financing activities of RMB164.8 million, primarily due to the proceeds from loans and borrowings of RMB622.1 million, the effects of which were partially offset by (i) the repayment of loans and borrowings of RMB416.1 million and (ii) the payment of lease liabilities of RMB8.6 million.

For the year ended December 31, 2018, we recorded net cash outflow used in financing activities of RMB212.2 million, primarily due to (i) repayment of loans and borrowings of RMB1,434.0 million; (ii) payment for dividends of RMB304.7 million; and (iii) interest paid of RMB95.8 million, the effects of which were partially offset by proceeds from loans and borrowings of RMB1,622.3 million.

In 2017, we recorded net cash inflow from financing activities of RMB617.9 million, primarily due to (i) the addition of bank loans and other borrowings of RMB2,081.3 million; and (ii) the capital injection of RMB661.5 million, the effects of which were partially offset by (i) repayment of loans and borrowings of RMB1,946.3 million; (ii) payment of interest of RMB109.9 million; and (iii) payment for finance lease arrangement of RMB68.6 million.

In 2016, we recorded net cash inflow from financing activities of RMB217.8 million, mainly due to (i) an addition of bank loans and other borrowings of RMB1,938.7 million, the effects of which were partially offset by (i) the repayment of loans and borrowings of RMB1,500.1 million; (ii) payment of interest of RMB98.2 million; and (iii) payment of finance lease arrangement of RMB122.5 million.

Capital Expenditures

In the past, we incurred capital expenditures primarily for purchase of property, plant and equipment, lease prepayments and intangible assets, purchase of investment property, purchase of financial assets at fair value through profit or loss, and payment for interest in associates. Our capital expenditures were RMB586.0 million, RMB1,120.4 million, RMB975.0 million and RMB349.7 million, respectively in 2016, 2017 and 2018 and the four months ended April 30, 2019.

The following table sets forth the components of our capital expenditure for the indicated periods:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)	(RMB'000)
Payment for purchase of property, plant and equipment, lease prepayments and intangible assets	(207,987)	(343,390)	(524,934)	(202,081)	(247,388)
Payment for purchase of investment property	(16,645)	—	—	—	—
Payment for purchase of financial assets at fair value through profit or loss	—	(28,000)	(91,049)	(152,721)	(63,185)
Payment for interest in associates	(361,346)	(748,967)	(359,007)	(172,973)	(39,133)
Total	**(585,978)**	**(1,120,357)**	**(974,990)**	**(527,775)**	**(349,706)**

We estimate the capital expenditures for the year ending December 31, 2019 will be approximately RMB896.7 million. These capital expenditures will be financed by proceeds from the Global Offering. For details, please refer to the section headed "Future Plans and Use of Proceeds".

Although these are our current estimates with respect to our capital expenditures, such estimates may be subject to changes as a result of changes in circumstances and the actual amount of expenditures may vary from the estimated amount of expenditures for a variety of reasons, including changes in market conditions, competitions and other factors. As we continue to expand, we may incur additional capital expenditures. Our ability to obtain additional funding for our future capital expenditures is subject to various uncertainties, including our future results of operation, financial positions and cash flow, as well as economic, political and other conditions in the PRC and Hong Kong.

Working Capital

During the Track Record Period, we met our working capital needs mainly from cash and cash equivalents on hand, and cash generated from operations, borrowings and equity financing. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the level of our trade payables and receivables and, (ii) our ability to obtain external financing. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedule and, if necessary, adjust the investment, financing and dividend payout plans so as to ensure we maintain sufficient working capital.

As of August 31, 2019, we had total unutilized facilities of approximately RMB1,347.0 million. Taking into account our available banking facilities and cash flow from operating activities, our Directors are of the opinion, and the Joint Sponsors concurs, that we have sufficient working capital to meet our financial requirements for at least 12 months from the date of this prospectus.

We manage our capital structure by making periodic adjustments to it in light of changes in economic conditions. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain credit facilities or issue equity securities, which might result in dilution to our shareholders. It is possible that, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all. If any of the above occurs, our business and financial results may be adversely affected.

Based on the following reasons, the Directors are of the view that we will be able to generate sufficient working capital for its operations after listing by closely monitoring our level of payables and receivables:

(1) We expect that our three business segments will generate sufficient cash flow to cover the operational cost.

In the PC unit manufacturing business segment, since 2018, we have improved the contract quality by actively cooperating with real estate developers and participating in an increasing number of real estate projects instead of government-funded projects, some of which tend to have longer settlement periods for trade debtors and bills receivable than real estate projects. In addition, we have improved the credit policies for the PC unit manufacturing business by requiring prepayments and progress installments of at least 80% of the contract price for most of the contracts within one year. We expect that the aggregate of the prepayment and the progress installments is sufficient to cover the production cost of the PC unit products.

In the PC equipment manufacturing business segment, we already have a favorable credit policy in place, pursuant to which, cash flow generated from the PC equipment manufacturing business is able to cover the production cost of PC equipment. For details, please refer to the section headed "Business – Sales and Marketing – Credit Policy".

In the construction contracting business segment, since construction projects generally have a prolonged construction period and we were paid in installments and subject to the progress of the construction project, we experienced long settlement periods for trade debtors and bills receivable. We ceased to enter into new contracts since 2016 and since then had focused on the completion of construction projects at hand. As of the Latest Practicable Date, we had completed most of the construction work for the construction projects at hand and focused on the settlement of outstanding trade debtors and bills receivable.

(2) We recorded positive cash flow generated from operating activities during the Track Record Period. Please refer to the section headed "Appendix I—Accountants' Report" for more details. We expect to continue to record positive cash flow generated from operating activities in 2019 and the first half of 2020.

Net Current Assets or Liabilities

As of December 31, 2018, we had net current liabilities of RMB135.8 million as compared to our net current assets position of RMB294.8 million in 2016 and RMB423.7 million in 2017, primarily due to the significantly increased use of cash to satisfy the huge capital requirement of our business expansion and research and development activities. Our net current liabilities position increased to RMB412.9 million as of April 30, 2019 from RMB135.8 million as of December 31, 2018, primarily due to our investments in our wholly-owned PC factories in the amount of RMB193.8 million, mainly in connection with (i) projects under construction of RMB145.1 million; (ii) intangible assets (i.e. the land use right of our wholly-owned PC factory in Wuhan, Hubei Province) of RMB30.8 million; and (iii) fixed assets of RMB17.9 million. Our net current liabilities position further increased to RMB823.9 million as of August 31, 2019. We plan to improve our net current liabilities position through the following measures: (i) enhancing our fund management by largely adopting equity financing while decreasing the utilization of short-term borrowings for the needs of funds to support our business expansion; (ii) expanding our financing channels and reducing the use of our own funds for long-term asset investment; and (iii) coordinating with our clients for settlement of trade debtors and bills receivable as well as accelerating the implementation of client's projects so as to promptly recognize our received prepayments as revenue.

The following table sets forth our current assets, current liabilities and net current assets as of the indicated dates:

	As of December 31,			As of April 30,	As of August 31,
	2016	2017	2018	2019	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Current assets					
Inventories	420,096	571,555	375,689	408,537	438,180
Contract assets	1,646,736	1,113,960	929,992	821,089	589,732
Trade and other receivables	1,315,119	1,757,503	2,062,994	2,036,411	2,281,850
Financial assets at fair value through profit or loss	—	28,000	—	—	—
Restricted and pledged bank deposits	166,039	99,702	187,349	210,689	196,186
Cash and cash equivalents	279,789	675,942	296,475	294,926	308,631
Total current assets	**3,827,779**	**4,246,662**	**3,852,499**	**3,771,652**	**3,814,579**
Current liabilities					
Short-term borrowings	1,252,100	1,352,389	1,543,894	1,744,417	1,896,226
Trade and other payables	1,689,656	1,713,389	1,933,213	1,922,382	1,952,636
Contractual liabilities	503,089	727,988	497,102	475,473	749,343
Obligations under finance leases	67,183	—	—	—	—
Lease liabilities	—	—	—	28,122	27,404
Deferred income	12,265	5,502	4,538	4,839	7,720
Current taxation	8,646	23,671	9,532	9,335	5,125
Total current liabilities	**3,532,939**	**3,822,939**	**3,988,279**	**4,184,568**	**4,638,454**
Net current assets/(liabilities)	**294,840**	**423,723**	**(135,780)**	**(412,916)**	**(823,875)**

Inventories

As of December 31, 2016, 2017 and 2018 and April 30, 2019, our inventories amounted to RMB420.1 million, RMB571.6 million, RMB375.7 million and RMB408.5 million, respectively, accounting for 11.0%, 13.5%, 9.8% and 10.8% of our total current assets.

As of August 31, 2019, our inventories amounted to RMB438.2 million, accounting for 11.5% of our total current asset. The increase of inventories from December 31, 2016 to December 31, 2017 was primarily due to the increase of PC equipment under installation as a result of the rapid development of the Joint Factories and the increase of inventories from December 31, 2018 to April 30, 2019 was primarily due to the increase in the inventories of raw materials and finished goods in PC unit manufacturing business in line with the increase in revenue. Our inventories decreased from RMB571.6 million as of December 31, 2017 to RMB375.7 million as of December 31, 2018, primarily due to enhanced management efficiency by use of PC-CPS and the commencement of production of several Joint Factories, resulting in a decrease in finished products of PC equipment in our inventory.

The following table sets forth the components of our inventories as of the indicated dates and subsequent utilization/sale of our inventories during the period from April 30, 2019 to June 30, 2019:

	As of December 31,			As of April 30,	Subsequent utilization/ sale from April 30, 2019 to June 30,
	2016	2017	2018	2019	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Raw materials	69,425	84,120	102,423	127,267	72,270
Work in progress	121,328	197,779	179,259	180,671	34,414
Finished goods	229,343	287,584	92,456	99,310	75,877
Consignment stock	—	2,072	1,551	1,289	—
Total	**420,096**	**571,555**	**375,689**	**408,537**	**182,561**

Our raw materials mainly include cement, sand, rebar, insulation materials and superplasticizers. Work in progress primarily refers to PC units which are under production process and PC equipment under installation. Finished goods primarily refers to finished PC units. Our inventories increased from RMB420.1 million as of December 31, 2016 to RMB571.6 million as of December 31, 2017, primarily due to (i) the significant increase in work in progress with respect to PC equipment as a result of increase in investment in the Joint Factories, which in turn increased the purchase of PC equipment by the Joint Factories; and (ii) the increase in balance of other materials for work in progress, as a result of increase in sales volume of PC units.

The following table sets forth our average inventory turnover days for the indicated dates:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
Inventory turnover days[(1)]	N/A	147	112	97

Note:

(1) The inventory turnover days as of the relevant period represent the average balances of inventories at the beginning and end of the period divided by cost of sales, multiplying 365 days (as of 2016, 2017 and 2018) and 120 days (as of April 30, 2019).

Our inventory turnover days were shortened during the Track Record Period because (i) our business focus was changed from construction contracting business to PC unit manufacturing business and PC equipment manufacturing business, which have a relatively shorter production cycle that does not require a large amount of inventories; (ii) the application of our PC-CPS has enhanced the management efficiency and thus increased our inventory turnover rate.

Trade and Other Receivables

Our trade and other receivables mainly represent payables from our customers as a result of credit sales of our products or services.

The following table sets forth our components of trade and other receivables as of the indicated dates:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade debtors	1,080,260	1,535,114	1,807,123	1,805,276
Bills receivable	3,753	1,379	6,900	5,927
Less:allowance for doubtful debts	(3,117)	(8,290)	(81,438)	(98,726)
	1,080,896	1,528,203	1,732,585	1,712,477
Other receivables	157,654	168,092	228,163	188,086
Less:allowance for doubtful debts	(20,134)	(20,336)	(25,342)	(17,715)
	137,520	147,756	202,821	170,371
Prepayments	54,139	32,791	81,887	88,752
Prepaid expenses	15,847	14,487	14,251	31,931
Value added tax recoverable	14,591	22,140	19,501	20,471
Others	12,126	12,126	11,949	12,409
Total	**1,315,119**	**1,757,503**	**2,062,994**	**2,036,411**

The following table sets forth the aging analysis of trade debtors and bills receivable (based on the invoice date and net of impairment loss) as of the indicated dates:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within 1 month	560,957	695,601	260,812	145,670
Over 1 month but less than 1 year	168,800	406,087	722,569	773,203
1 to 2 years	119,838	247,498	589,471	645,489
2 to 3 years	217,341	79,928	121,680	102,338
3 to 4 years	9,768	95,953	34,031	30,484
4 to 5 years	4,192	3,136	4,022	10,623
More than 5 years	—	—	—	4,670
Total	**1,080,896**	**1,528,203**	**1,732,585**	**1,712,477**

On April 22, 2019, one of our customers in the construction contracting business and us reached a mediation agreement related to the settlement amount of one project amounting to RMB6 million. Due to this favorable result, the expected credit loss rate of this customer decreased as of April 30, 2019. As such, trade debtors and bills receivable, net of loss allowance, in the time band of "More than 5 years" as of April 30, 2019 increased as compared to the time band of "4 to 5 years" as of December 31, 2018 as set forth in the above table.

As of December 31, 2016, 2017 and 2018 and April 30, 2019, our allowance for doubtful debts in relation to trade and other receivables were RMB23.3 million, RMB28.6 million, RMB106.8 million and RMB116.4 million, respectively. The increase in our allowance for doubtful debts in relation to trade and other receivables from 2017 to 2018 was primarily attributable to the increase in expected credit loss as a result of the increase in overdue payment. Our allowance for doubtful debts in relation to trade and other receivables further increased to RMB116.4 million as of April 30, 2019, primarily due to the aging of our trade and other receivables.

As of August 31, 2019, we had received RMB371.4 million, or 20.5% of our trade debtors and bills receivable outstanding as of April 30, 2019. We will use best endeavors to collect our outstanding trade debtors and bills receivable. The remaining trade debtors and bills receivable outstanding as of December 31, 2018 were primarily attributable to the fact that (i) trade debtors and bills receivable that had not reached the settlement stage and (ii) the warranty deposit was retained by the clients and was expected to be settled upon the expiration of the warranty period.

The tables below set forth the settlement status as of the indicated dates for trade debtors and bills receivable outstanding as of December 31, 2016, 2017 and 2018 and April 30, 2019:

Outstanding trade debtors and bills receivable as of December 31, 2016	Subsequent settlement as of December 31,				Subsequent settlement as of April 30,		Subsequent settlement as of August 31,	
	2017		2018		2019		2019	
(RMB million)	*(RMB million)*	Percentage *%*	*(RMB million)*	Percentage *%*	*(RMB million)*	Percentage *%*	*(RMB million)*	Percentage *%*
							(unaudited)	
1,084.0	**682.5**	**63.0**	**859.7**	**79.3**	**887.6**	**81.9**	**910.2**	**84.0**

Outstanding trade debtors and bills receivable as of December 31, 2017	Subsequent settlement as of December 31, 2018		Subsequent settlement as of April 30, 2019		Subsequent settlement as of August 31, 2019	
(RMB million)	*(RMB million)*	Percentage *%*	*(RMB million)*	Percentage *%*	*(RMB million)*	Percentage *%*
					(unaudited)	
1,536.5	**644.0**	**41.9**	**748.7**	**48.7**	**845.7**	**55.0**

Outstanding trade debtors and bills receivable as of December 31, 2018	Subsequent settlement as of April 30, 2019		Subsequent settlement as of August 31, 2019	
(RMB million)	*(RMB million)*	Percentage *%*	*(RMB million)*	Percentage *%*
			(unaudited)	
1,814.0	**358.7**	**19.8**	**602.6**	**33.2**

Outstanding trade debtors and bills receivable as of April 30, 2019	Subsequent settlement as of August 31, 2019	
(RMB million)	*(RMB million)*	Percentage *%*
	(unaudited)	
1,811.2	**371.4**	**20.5**

The table below sets forth the breakdown of the trade debtors and bills receivable and the respective turnover days[1] (before the provision for impairment) by business segment as well as the contract assets and the turnover days of aggregated trade debtors and bills receivable and contract assets:

	As of and for the year ended December 31,									As of and for the four months ended April 30,		
	2016			2017			2018			2019		
	(RMB million)	%	Turnover Days	(RMB million)	%	Turnover Days	(RMB million)	%	Turnover Days	(RMB million)	%	Turnover Days
PC unit manufacturing	467.2	43.1	N/A	843.7	54.9	268	926.5	51.1	378	931.8	51.5	318
PC equipment manufacturing	168.5	15.5	N/A	367.0	23.9	117	702.4	38.7	159	690.8	38.1	383
Construction contracting	448.3	41.4	N/A	325.8	21.2	678	185.1	10.2	495	188.6	10.4	291
Total trade debtors and bills receivable	**1,084.0**	**100.0**	**N/A**	**1,536.5**	**100.0**	**247**	**1,814.0**	**100.0**	**269**	**1,811.2**	**100.0**	**337**
Contract assets	1,646.7	N/A	N/A	1,131.3	N/A	N/A	944.1	N/A	N/A	839.5	N/A	N/A
Aggregated trade debtors and bills receivable and contract assets	**2,730.7**	**N/A**	**N/A**	**2,667.8**	**N/A**	**509**	**2,758.1**	**N/A**	**436**	**2,650.7**	**N/A**	**502**

Note:

(1) The turnover days of average trade debtors and bills receivable and the turnover days of the aggregated trade debtors and bills receivable and contract assets as of the relevant period represent the average balances at the beginning and end of the period divided by revenue for the period and multiply 365 days (as of 2016, 2017 and 2018) or 120 days (as of April 30, 2019).

As shown in the table above, the long period of turnover days of trade debtors and bills receivable for the four months ended April 30, 2019 was primarily attributable to the business segment of PC equipment manufacturing. We recorded long turnover days of trade debtors and bills receivable in the PC equipment manufacturing business segment for the four months ended April 30, 2019 primarily due to (i) the relatively low revenue in the PC equipment manufacturing business; and (ii) the aging of the outstanding balance of trade debtors and bills receivable of PC equipment manufacturing business. Long period of turnover days of trade debtors and bills receivable in 2016, 2017 and 2018 was primarily attributable to the business segments of PC unit manufacturing and construction contracting. We recorded long turnover days of trade debtors and bills receivable in these two business segments in 2017 and 2018 primarily due to (i) credit policies of these two business segments which correlate to the prolonged periods of the construction projects; and (ii) the long settlement periods in government-funded projects which produce significant amount of trade debtors and bills receivable in the PC unit manufacturing business. Due to the efforts of the Company, the turnover days of trade debtors and bills receivable in these two business segments have been significantly improved as shown in the table above.

Our contract assets were derived from our construction contracts in our construction contracting business segment. During the Track Record Period, along with our performance of the work for the existing projects on hand and completion of the verification process by our clients, the balances of contract assets decreased significantly. The turnover days of the aggregated trade debtors and bills receivable and contract assets increased from 436 days for the year ended December 31, 2018 to 502 days for the four months ended April 30, 2019, primarily due to the increase in the turnover days of trade debtors and bills receivable of PC equipment manufacturing business segment, partially offset by the decrease in the turnover days of construction contracting business segment. The turnover days of the aggregated trade debtors and bills receivable and contract assets were shortened from 509 days in 2017 to 436 days in 2018, primarily due to the significant decrease in the turnover days of construction contracting business segment.

- Credit Policies

The credit policies of the PC unit manufacturing business and construction contracting business correlate to the progress of the construction projects. For the PC unit manufacturing business, we usually require the client to prepay around 20% of the total contract price when entering into the contract but leave the settlement of 80% of the total contact price correlating with the construction process of the projects of the client. For the construction contracting business, we normally require the client to pay no more than 5% to 20% of the total contract price before the commencement of construction, but leave the settlement of 50% to 75% of the total contract price correlating with the construction progress of the projects that we act as a general contractor in. In addition, we normally require the clients to settle 15% to 25% (mostly 15%) of the total contract price after final acceptance of the projects, and allow 5% of the total contract price to be retained as warranty deposit for such projects. Since the construction period could be prolonged to approximately 2.5 to 4.5 years, the duration for settlement of the trade debtors and bills received may be prolonged accordingly. In addition, part of contract price (10-30% in the case of PC unit manufacturing business and 15% in the case of construction contracting business) can only be settled after the construction projects are completed, accepted and/or finally settled, further prolonging the settlement period for our trade debtors and bills receivable. As of April 30, 2019, most of our trade debtors and bills receivable were attributable to the payment (after the progress installments) to be settled after the completion and acceptance of the projects. As a result, we recorded a long trade debtors and bills receivable settlement period.

Before 2018, the penetration rate of prefabricated buildings was as low as less than 3.0%. As a result, our PC unit manufacturing business and construction contracting business (which was entirely for prefabricated buildings) were facing fierce competition against competitors adopting traditional construction methods in 2016 and 2017 when the government supportive policies had not yet been fully and stringently implemented by the local government. In addition, the level of acceptance of prefabricated construction by then market stakeholders was relatively low at that time, and we had to provide more flexibility and compromise on certain contract terms in order to break into the market and attract more clients. Therefore, we offered favorable credit terms to the clients during the Track Record Period, especially during the first two financial years. In the PC unit manufacturing business, we generally required the clients to prepay as little as around 20% of the total contract price but left the settlement of a very high percentage of the total contract price, i.e. 60% to 85% to progress installments, which correlates with the construction progress (before roofing) of the projects of that we supply PC units to. As a result, such credit terms contained in certain of the contracts during the Track Record Period have further increased the amount of trade debtors and bills receivable as well as prolonged the turnover days.

- Government-funded projects which produced significant amount of trade debtors and bills receivable in the PC unit manufacturing business

During the Track Record Period, we undertook a number of projects developed by or funded by government-controlled entities and supplied PC units to such projects in the PRC, including but not limited to the affordable housing projects and government-directed urban public construction projects. Government-controlled entities in the PRC generally have onerous internal fiscal budget and settlement procedures, payments from such entities usually require approvals from various levels of authorities and generally take a long period of time. In the PC unit manufacturing business, a significant amount of trade debtors and bills receivable are produced by government-funded projects, which generally take a long period of time for us to settle the trade debtors and bills receivable. Therefore, we have relatively long trade debtors and bills receivable turnover days.

We have taken a number of measure to shorten our trade debtors and bills receivable turnover days:

- we have significantly improved the quality of the contracts that we entered into and that of the projects that we undertook. In particular, we have endeavored to improve credit policies for the PC unit manufacturing business. As a result, for the PC unit manufacturing business, the number of contracts requiring at least 20% of prepayments increased from 45% of the total contracts in 2016 to 81% of the total contract in 2018, and the number of contracts requiring at least of 80% of installments within one year increased from 21% of the total contracts in 2016 to 61% of the total contracts in 2018. Since most revenue of the PC unit manufacturing business in 2018 were from contracts with favorable credit terms for the clients entered into in 2016 and 2017, as of December 31, 2018, the turnover days of the trade debtors and bills receivable from the PC unit manufacturing business did not improve as compared to that of December 31, 2017, which had not yet fully reflected the benefit in terms of trade debtors and bills receivable turnover days from the new contracts with improved credit policies since 2018. The turnover days of the trade debtors and bills receivable from the PC unit manufacturing business were improved as of April 30, 2019 as compared to December 31, 2018. With the improved credit policies and the increasing number of contracts with favorable credit policies, we expect the recovery and settlement of trade debtors and bills receivable from the PC unit manufacturing business will significantly improve in the future. In addition, we also improved the contract quality by actively cooperating with real estate developers and increasing the number of real estate projects instead of government-funded projects which tend to have longer settlement periods for trade debtors and bills receivable than real estate projects;
- we have a credit evaluation system in place and have conducted evaluation on the potential customer's financial condition and contract performance history (if any) before entering into contract with such potential customer. We endeavor to enter into contracts with customers with good financial conditions, creditworthiness and contract performance history; and
- we have established a trade debtors and bills receivable settlement system and a special department to take charge of the settlement of our trade debtors and bills receivable. We have implemented incentive plans by correlating the remuneration of the personnel in this department to the settlement of our trade debtors and bills receivable. We have also taken measures to enhance client relationship management and after-service to accelerate the settlement process.

Apart from the above measures, for each business segment, we have also adopted specific measures to shorten the turnover days of the trade debtors and bills receivable:

- For the construction contracting business, we have formed a specialized team to expedite the settlements and collection of the trade debtors and bills receivable, particularly trade debtors and bills receivable generated from our key projects. In addition, for trade debtors and bills receivable overdue for a long period of time, we will resort to legal actions to collect the payments. Where there is no solution for payment for trade debtors and bills receivable overdue for more than two years, we will resort to legal actions to collect the payment within 30 days upon issuance of the payment reminder according to the relevant management measures regarding construction contracting business.

- For the PC unit manufacturing business, we revised the Management Mechanism of Trade Debtors and Bills Receivable to further clarify accountability of management. The Management Mechanism of Trade Debtors and Bills Receivable, which is formulated to prevent the occurrence of bad debt and minimize settlement costs, sets out details of how trade debtors and bills receivable shall be handled from various aspects, such as recognition, settlement, staff assessment, credit assessment and provision for impairment losses. The revised Management Mechanism of Trade Debtors and Bills Receivable tightens control of trade debtors and bills receivable through prior management, which standardizes contract settlement terms and client credit investigation procedures. It also sets up the evaluation system and incentive mechanism for the results of payment collections and settlements, and enhances the efforts in payment collections and settlements, including resorting to legal remedies when necessary. For example, the revised Management Mechanism of Trade Debtors and Bills Receivable requires that if the payment for the trade debtors and bills receivable is overdue for more than 90 days, we will issue a demand letter to the corresponding client to collect the payment. We will resort to legal actions to collect the payment after 30 days upon issuance of the demand letter if no payment is received.

- For the PC equipment manufacturing business, we formatted the evaluation details for the collection of trade debtors and bills receivable to include considerations of key financial indicators such as total assets, net assets and revenue, capital contributions received and willingness of cooperation of Joint Factories. We also formed a specialized team to take charge of the collection and settlement of the trade debtors and bills receivable in different regions and held regular meetings to monitor collection progress. In addition, we issue written notices to the clients to urge repayment and raise the prepayment ratio and the ratio of the payment due before shipping of goods to generally 50% and 30%-40%, respectively, when entering into new contracts for PC equipment. Furthermore, if the payment for the trade debtors and bills receivable is overdue for a long period of time, we will issue a demand letter to the corresponding client to collect the payment. We will resort to legal actions to collect the payment after 30/60/90 days (depending on the specific project) upon issuance of the demand letter if no payment is received. In particular, in light of the increase in trade debtors and bills receivable turnover days in PC equipment manufacturing business for the four months ended April 30, 2019, we established a special team comprising senior management to supervise and coordinate the collection and settlement of trade debtors and bills receivables through enhancing the communications with the Joint Factories on the reasons for delayed payment and their settlement plan, as well as urging the Joint Factories to enhance their liquidity management, such as expanding their source of financing to enable them to have sufficient cash flow for timely settlement.

Benefiting from the abovementioned measures, we expect the overall turnover days of the trade debtors and bills receivable will further decrease in the future.

We did not impose any penalties or interest on our overdue balances of the trade debtors and bills receivable during the Track Record Period. Given the long business cycle of construction industry as well as various uncontrollable factors which may attribute to the delay of the construction progress, such as change of weather condition, governmental zoning and urban planning policies, we have difficulties in identifying the actual reason(s) of the delay of the construction progress and claiming penalties or interest for overdue balances pursuant to the relevant contracts. In addition, we plan to settle our overdue balances of trade debtors and bills receivable through friendly negotiation after taking into account the maintenance of the long term business relationship with such contracting parties.

The increase of our trade and other receivables during the Track Record Period is in line with our business growth. Our trade debtors and bills receivable turnover days increased during the Track Record Period because a large amount of trade debtors and bills receivable were accumulated and carried forward to 2018 and the four months ended April 30, 2019 as a result of our rapid expansion in 2017 and 2018.

The table below sets for the aging analysis of the trade debtors and bills receivable (before the provision of impairment) by business segment as of the dates indicated:

As of April 30, 2019

	PC unit manufacturing	PC equipment manufacturing	Construction contracting	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	563,049	306,587	62,624	932,266
1 to 3 year	357,884	384,198	73,154	815,237
3 years and above	10,857	—	52,850	63,707
Total	**931,790**	**690,785**	**188,629**	**1,811,204**

As of December 31, 2018

	PC unit manufacturing	PC equipment manufacturing	Construction contracting	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	502,886	440,210	48,715	991,811
1 to 3 years	412,436	262,173	75,328	749,937
3 years and above	11,408	—	60,867	72,275
Total	**926,730**	**702,383**	**184,910**	**1,814,023**

As of December 31, 2017

	PC unit manufacturing	PC equipment manufacturing	Construction contracting	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	723,753	259,031	100,058	1,082,842
1 to 3 years	119,518	107,980	122,157	349,656
3 years and above	460	—	103,535	103,995
Total	**843,731**	**367,011**	**325,750**	**1,536,493**

As of December 31, 2016

	PC unit manufacturing	PC equipment manufacturing	Construction contracting	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Within one year	399,636	150,903	162,269	712,808
1 to 3 years	65,161	17,605	272,746	355,512
3 years and above	2,430	—	13,264	15,694
Total	**467,227**	**168,508**	**448,279**	**1,084,014**

Contract Assets and Contract Liabilities

Our contract assets are derived from our construction contracts. We usually require customers to settle progress payment after the completion of key milestones during the construction period. Such arrangement of progress payment can effectively prevent us from accumulating excess contract assets. We usually receive 95% of contract value from our customers after the completion, acceptance and final settlement of projects, while 5% of contract value is retained as warranty deposit and will be returned after one to five years from the date of acceptance of projects.

We receive prepayments before the production activities commence, which will give rise to contract liabilities. We typically receive a prepayment of 20% of the total contract value before production of our PC units and a prepayment of 50% of the total contract value before production of our PC equipment.

The following table sets out the details of contract assets as of the indicated dates and the subsequent certification by clients during the period from April 30, 2019 to June 30, 2019:

	As of December 31,			As of April 30,	Subsequent certification during the period from April 30, 2019 to June 30, 2019
	2016	2017	2018	2019	
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
From the performance of construction contracts	1,646,736	1,113,960	929,992	821,089	52,264

The table below sets forth the aging analysis of the contract assets for each of the top 10 projects as of April 30, 2019 and the subsequent certification by clients during the period from April 30, 2019 to June 30, 2019:

Name of Project	As of April 30, 2019							Subsequent certification during the period from April 30, 2019 to June 30, 2019		Reasons for long-outstanding balances of such project[2]
	Balance of Contract Assets	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Amount	Percentage[1]	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	% (unaudited)	
Project A	294,967	10,559	60,482	162,458	61,468	—	—	—	—	①, ⑤
Project B	163,360	23,451	48,511	91,398	—	—	—	—	—	①, ②, ⑤
Project C	96,871	79,263	17,608	—	—	—	—	48,540	50.1	③
Project D	57,948	7,103	11,914	38,931	—	—	—	—	—	④, ⑤
Project E	54,237	30	—	33	5,078	49,096	—	—	—	①, ②, ⑤
Project F	37,074	—	—	—	20,026	17,048	—	—	—	②, ⑤
Project G	27,821	—	—	17,852	9,969	—	—	—	—	②, ⑤
Project H	23,809	—	—	23,809	—	—	—	—	—	④, ⑤
Project I	22,417	492	1,919	20,006	—	—	—	—	—	④, ⑤
Project J	15,717	—	—	—	15,717	—	—	—	—	⑤
Total	**794,221**	**120,898**	**140,434**	**354,487**	**112,258**	**66,144**	**—**	**48,540**	**6.1**	

Notes:

(1) represents the amount certified during the two months from April 30, 2019 to June 30, 2019 over the total balance of contract assets of the project indicated as of April 30, 2019.

(2) ① project with large scales and relatively long construction period.
② government-funded project with relatively long settlement cycle.
③ project under construction.
④ project under settlement procedures.
⑤ unexpired warranty period.

The following table sets out the details of contract liabilities as of the indicated dates:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Billings in advance of performance (for sale of PC units and PC equipment)	503,089	727,988	497,102	475,473

As of December 31, 2016, 2017 and 2018 and April 30, 2019, the continuous decrease in contract assets was primarily due to the completion of construction projects and our enhanced effort in the settlement of the contract assets.

Trade and Other Payables

Our trade and other payables mainly consists of amount payable to suppliers for procurement of raw materials and components used in our products. Our trade and other payables increased from December 31, 2016 to December 31, 2018, which is in line with our business growth. Our trade and other payables decreased from RMB1,933.2 million as of December 31, 2018 to RMB1,922.4 million, primarily due to the settlement with our suppliers for the four months ended April 30, 2019.

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Trade creditors	928,171	1,038,817	1,130,019	1,045,738
Bills payable	559,748	491,599	711,195	747,912
Trade creditors and bills payable	1,487,919	1,530,416	1,841,214	1,793,650
Accrued staff costs	5,704	5,814	13,557	14,036
VAT payable	88,074	92,860	30,437	48,930
Sundry taxes payable	46,867	29,945	12,177	12,181
Security deposits	19,049	12,376	15,882	19,671
Interest payable	2,385	1,803	2,527	5,330
Withholding tax	24,802	21,497	3,005	1,721
Other accrued expenses and payables	14,856	18,678	14,414	26,863
Total	**1,689,656**	**1,713,389**	**1,933,213**	**1,922,382**

We purchase raw materials, equipment and services from multiple suppliers. In the PC unit manufacturing business segment, we purchase raw materials including cement, rebar and gravel from raw material suppliers; in the PC equipment manufacturing business segment, we purchase equipment from multiple OEM service providers based on the technical complexity of the equipment; and in the construction contracting business segment, we engage third party subcontractors to provide construction services on the projects that we undertake as a general construction contractor. While the raw material suppliers normally grant us a credit term of 30 days, some of such suppliers may allow a credit period of two to three months. Suppliers in the PC equipment manufacturing business segment and the construction contracting business segment normally grant longer credit periods to us, some of whom allow a credit period of three to 12 months. We believe that our long term cooperation relationship with the suppliers, our good credit record and strong market presence are among the reasons why we are given extended credit periods.

We use promissory notes (primarily due within one year after the date of issuance) to settle our trade creditors and bills payable, which we believe is in line with industry norms. Since promissory notes can be endorsed and discounted and is of good liquidity, it is widely used as a payment instrument in the industry. Such practice deferred the actual settlement date of the trade and bills payable by one year after the expiration of a credit period from 30 days to three months granted to us. As a result, we recorded long turnover days of our trade creditors and bills payable. Most of the promissory notes are guaranteed by financial institutions. Though in some instances no interest was charged on the promissory notes, pursuant to the purchase agreements we entered into with our suppliers, we and our suppliers generally had agreed on a settlement price using promissory notes higher than cash settlement, the premium of which was calculated by reference to the lending rate quoted by bank for a specific payment period. The following table sets forth the aging analysis of trade creditors and bills payable for the indicated periods, based on the invoice date:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)**
Within one year	1,365,381	1,350,461	1,619,563	1,609,162
One to two years	67,834	120,652	102,046	68,141
Two to three years	40,538	26,821	72,816	57,621
More than three years	14,166	32,482	46,789	58,726
Total	**1,487,919**	**1,530,416**	**1,841,214**	**1,793,650**

As of June 30, 2019, approximately RMB226.5 million, or 12.6% of our trade creditors and bills payable outstanding as of April 30, 2019, were settled.

The following table sets forth the turnover days of trade creditors and bills payable as of the indicated dates:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
Trade creditors and bills payable turnover days[(1)]	N/A	448	398	451

Note:

(1) The average trade creditors and bills payable turnover days as of the relevant period represent the average balances at the beginning and end of the period divided by cost of sales for the period and multiply 365 days (as of 2016, 2017 and 2018) or 120 days (as of April 30, 2019).

Our Directors confirmed that we did not have any material default in trade and other payables during the Track Record Period.

INDEBTEDNESS

The following table sets forth the components of our indebtedness as of the indicated dates:

	As of December 31,			As of April 30,	As of August 31,
	2016	2017	2018	2019	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000) (unaudited)
Current					
Current portion of non-current loans and borrowings	223,100	250,639	468,894	477,364	271,858
Short-term loans and borrowings	1,029,000	1,101,750	1,075,000	1,267,053	1,624,368
Lease liabilities	—	—	—	28,122	27,404
Non-current					
Long-term loans and borrowings	366,477	401,137	397,888	403,358	439,725
Lease liabilities	—	—	—	50,673	43,697
Total	**1,618,577**	**1,753,526**	**1,941,782**	**2,226,570**	**2,407,052**

For the year ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the effective interest rate range for our fix rate borrowings was 4.57%-6.50%, 4.70%-9.00%, 4.70%-6.00% and 4.70%-6.00%, respectively; while the effective interest rate range for our variable rate of borrowings was 4.35%-5.23%, 4.35%-6.00%, 4.57%-5.70% and 4.35%-5.70%, respectively.

During the Track Record Period and as of the Latest Practicable Date, our Directors confirm that to the best of their knowledge, we did not have material default in non-trade payables or bank borrowings or breach of any financial covenants.

Our Directors confirmed that, save as disclosed above, from April 30, 2019 to the date of this prospectus, there were no material changes in our indebtedness.

CONTINGENT LIABILITIES

Save as disclosed above, as of the Latest Practicable Date, we did not have any material purchase commitment, guarantees or other material contingent liabilities.

COMMITMENT

Operating Leases

We lease certain buildings and plants under operating leases arrangements, rentals of which are generally fixed for the lease term. Our future minimum lease payments under uncancelable operating leases as of the dates indicated are set forth below:

	As of December 31,		
	2016	2017	2018
	(RMB'000)	(RMB'000)	(RMB'000)
Within 1 year	25,321	22,650	32,303
After 1 year but within 2 years	22,650	15,616	19,284
After 2 years but within 3 years	15,616	9,049	13,685
After 3 years but within 4 years	9,049	6,782	3,119
After 4 years but within 5 years	6,782	346	638
Thereafter	346	—	—
Total	**79,764**	**54,443**	**69,029**

We are the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. We have initially applied IFRS 16 using the modified retrospective approach. Under this approach, we adjusted the opening balances as of January 1, 2019 to recognize lease liabilities relating to these leases. From January 1, 2019 onwards, future lease payments are recognized as lease liabilities in the statement of financial position. Please refer to the Note 27 of the section headed "Appendix I—Accountants' Report" for more details on our future lease payments.

Capital Commitments

Save as operating lease commitments, our capital commitments in relation to acquisition of property and plant and equipment as of the dates indicated, are set forth below:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Contracted for	7,097	1,225	90,587	78,738
Total	**7,097**	**1,225**	**90,587**	**78,738**

Our capital commitments significantly increased from RMB1.2 million as of December 31, 2017 to RMB90.6 million as of December 31, 2018, primarily due to the purchase of production lines for our subsidiary in Hangzhou, Zhejiang Province and the construction of the second phase of our factory in Lu'an, Anhui Province in 2018. Our capital commitment as of April 30, 2019 decreased to RMB78.7 million, primarily due to performance of the contract in relation to procurement of fixed assets for the second phase of our factory in Lu'an.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet arrangements.

FINANCIAL RATIOS

The following table sets forth the summary of key financial ratios during the Track Record Period:

	As of December 31,			As of April 30,
Financial ratio	2016	2017	2018	2019(7)
Current ratio(1)	1.1	1.1	1.0	0.9
Quick ratio(2)	1.0	1.0	0.9	0.8
Gearing ratio(3)	86.9%	64.8%	67.4%	73.4%
Return on total assets(4)	N/A	2.6%	6.5%	1.4%
Return on equity(5)	N/A	7.4%	16.7%	3.7%
Interest coverage ratio(6)	5.4	4.1	8.7	2.2

Notes:

(1) Current ratio equals to current assets divided by current liabilities as of the end of the year/period.

(2) Quick ratio equals to current assets (excluding inventories) divided by current liabilities as of the end of the year/period.

(3) Gearing ratio equals to total interest-bearing bank and other borrowings divided by total equity as of the end of the year/period.

(4) Return on total assets equals to annual/annualized profits divided by average of total assets at the beginning and end of the year/period.

(5) Return on equity equals to annual/annualized profits divided by average of total equity at the beginning and end of the year/period.

(6) Interest coverage ratio equals to profit before taxation deducting the finance costs and dividing by finance costs.

(7) The key financial ratios as of April 30, 2019 are presented on annualized basis, which are calculated by dividing the financial figures for the four months ended April 30, 2019 with 365 and multiplying with 120.

Current Ratio

During 2016, 2017, 2018 and the four months ended April 30, 2019, our current ratios were 1.1, 1.1, 1.0 and 0.9, respectively. For further details regarding the movements of our current assets and current liabilities during the Track Record Period, please refer to the section headed "—Net Current Assets or Liabilities".

Quick Ratio

As of December 31, 2016, 2017 and 2018 and April 30, 2019, our quick ratios were 1.0, 1.0, 0.9 and 0.8, respectively. For further details regarding the movements of our current assets and current liabilities during the Track Record Period, please refer to the section headed "—Net Current Assets or Liabilities".

Gearing Ratio

As of December 31, 2016, 2017 and 2018 and April 30, 2019, our gearing ratios were 86.9%, 64.8%, 67.4% and 73.4%, respectively. Such movement is primarily attributable to the fact that we introduced financial investment in 2017 and our profits increased. For details, please refer to the section headed "—Indebtedness".

Return on Total Assets

During 2016, 2017, 2018 and the four months ended April 30, 2019, our return on total assets were nil, 2.6%, 6.5% and 1.4%, respectively. For details, please refer to the section headed "—Description of Selected Components of Our Income Statements".

Return on Equity

During 2016, 2017, 2018 and the four months ended April 30, 2019, our returns on equity were nil, 7.4%, 16.7% and 3.7%, respectively. For details, please refer to the section headed "—Description of Selected Components of Our Income Statements".

Interest Coverage Ratio

During 2016, 2017, 2018 and the four months ended April 30, 2019, our interest coverage ratios were 5.4, 4.1, 8.7 and 2.2, respectively. For details, please refer to the section headed "—Description of Selected Components of Our Income Statements".

LISTING EXPENSES

Upon the completion of the Global Offering, we expect to incur listing expenses of approximately RMB101.6 million (based on the mid-point of the indicative price range for the Global Offering and assuming that the Over-Allotment Option is not exercised, including underwriting commissions and maximum discretionary bonuses, where applicable), of which an estimated amount of approximately RMB12.2 million will be recognized as administrative expenses and an estimated amount of approximately RMB89.5 million will be recognized directly in equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses to materially impact our results of operation of 2019.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF MARKET RISKS

We are exposed to various market risks in the ordinary course of our business, including credit risks, liquidity risks and interest rate risks. We manage our exposure to the above and other market risks through daily operation and financing activities.

Credit Risk

Our credit risk is primarily attributable to trade receivables, bills receivable, other receivables and contractual assets. We have limited exposure to credit risks from our cash and cash equivalents, restricted and pledged deposits and wealth management products since the counterparties are banks which we assess with low credit risk. Furthermore, we believe that we are exposed to limited bad debt risks. Our major customers are investment entities and large-scale real estate developers controlled by the government, the credit risk of which is assessed to be insignificant.

We have established credit policies to continuously monitor our credit risks. Our credit risk is mainly affected by the individual characteristics of each customer rather than the industries or country in which the customers operate, and therefore concentration of credit risk primarily arises when we have significant exposure to individual customers. In this regard, we conduct individual credit assessment on customers requiring credit over a certain amount to manage the risks. Those assessments focus on the payment history and the current payment ability of customers, and take into account information specific to the customer as well as in relation to economic environment in which the customer operates. Trade debtors are due within 30 days from the date of billing. Normally, we do not obtain collateral from customers. We continuously monitor the condition of our receivables balance.

Liquidity Risk

Our objective is to ensure continuity of sufficient funding and funding flexibility by utilizing a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that our outstanding borrowing obligation is not exposed to excessive repayment risk in any one year. Our subsidiaries may arrange their liquidity, including short-term investment of cash surplus and obtaining loans to satisfy their cash requirement, at their discretion according to their operating conditions and business needs, subject to the approval from the Board in the event beyond their entitlement. We constantly monitor current and expected liquidity requirements to ensure that we maintain sufficient cash reserve and adequate committed lines of funding from major financial institutions to meet our liquidity requirements in the short and longer terms.

Moreover, we actively and regularly review and manage our capital structure and adjust our capital structure in light of changes in economic condition. As of December 31, 2016, 2017 and 2018 and April 30, 2019, we did not make any changes in the objectives, policies or process of capital management.

Interest Rate Risk

Our risk from interest rate movements primarily arises from long-term borrowings. We are exposed to cashflow interest rate risk and fair value interest rate risk relating to our borrowings with floating rates and fixed rate, respectively. Our management control our interest rate risk by reviewing the borrowings with fixed rates and floating rates. During the Track Record Period, we did not consider it necessary to use interest rate swaps to hedge our exposure to interest rate risk.

As of December 31, 2016, 2017 and 2018 and April 30, 2019, our variable rate borrowings accounted for 25%, 24%, 47% and 50% of our total borrowings, respectively, while fixed rate borrowings accounted for 75%, 76%, 53% and 50% of our total borrowings, respectively. As of December 31, 2016 and 2017 and 2018 and April 30, 2019, it was estimated that with a general increase/decrease of 1% in interest rates of net floating rate borrowings and all other variables being constant, our profit after tax would decrease/increase by RMB3.1 million, RMB3.2 million, RMB6.9 million and RMB8.4 million, respectively. Other components in the consolidated profit and loss would not be affected by the general increase/decrease of interest rates.

Fair Value Measurement

The fair value of our properties and financial instruments was measured on a recurring basis for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, and was categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. During the Track Record Period, level 3 valuations (i.e. fair value measured using significant unobservable inputs) were applicable to the valuation of our investment properties and financial instruments.

The fair value of investment property is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or a discount specific to the quality of our buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of investment in wealth management product issued by banks is determined by discounting the cash flow associated with the product using risk-adjusted discount rate which is the expected rate of return in the product manual. The fair value measurement is negatively correlated to the risk-adjusted discount rate. As of December 31, 2017, it is estimated that with all other variables held constant, a decrease/increase in risk-adjusted discount rate by 1% would not have significant impact on our valuation gains on investment in wealth management products.

The fair value of unlisted equity investments is determined using the comparable transaction method. The significant unobservable input used in the fair value measurement is Price/Invested Capital and P/B ratio. The fair value measurement is positively correlated to the Price/Invested Capital and P/B ratio. As of December 31, 2018, it is estimated that with all other variables held constant, an increase/decrease in the Price/Invested Capital and P/B ratio by 1% would have increased/decreased our valuation gains on equity investments by RMB8.3 million. As of April 30, 2019, it is estimated that with all other variables held constant, an increase/decrease in the Price/Invested Capital and P/B ratio by 1% would have increased/decreased our valuation gains on equity investments by RMB10.6 million.

In relation to level 3 fair value measurement of the valuation of financial assets at fair value through profit or loss ("**FVTPL**"), we have adopted the following procedures:

(i) we engaged an independent professional valuer, AVISTA Valuation Advisory Limited (the "**Valuer**"), to conduct the valuation on our level 3 financial assets (in particular, for the category of the unlisted equity investments, our investment in level two Joint Factories) after (a) making enquires of its independence, qualification and suitability; and (b) discussing the scope of mandate with the Valuer;

(ii) during the valuation process, we provided all material information that may affect the valuation to the Valuer on a voluntary basis or upon the Valuer's requests as well as maintained frequent communication with the Valuer in relation to material issues;

(iii) when Valuer presented the draft of valuation report to us, we maintained an engaged and critical attitude towards it by reviewing and analyzing the report, in particular, the basis of computation, scope of review, assumptions, limitations and qualifications and valuation methodologies; and

(iv) we had internal discussions as well as external discussions with the Valuer in relation to their questions regarding the valuation report to ensure the fairness of the valuation report.

After taken the above procedures, we are satisfied with respect to the valuation of our Group's level 3 financial assets.

Details of fair value measurement in relation to our investment properties and financial instruments are disclosed in Note 30 of the section headed "Appendix I—Accountants' Report". The Reporting Accountants have conducted their work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" ("**HKSIR 200**") issued by the Hong Kong Institute of Certified Public Accountants to express an opinion on Historical Financial Information (as defined in Appendix I to the prospectus). The Company's management is responsible for the valuation of financial assets at fair value through profit or loss (the "**Valuation**"). The Reporting Accountants have considered the audit procedures performed in connection with the audit of the Company's Historical Financial Information, as defined in the section headed "Appendix I – Accountants' Report", which include but not limited to (i) assessing the design, implementation and operating effectiveness of key internal controls over the valuation of financial instruments; and (ii) engaging the internal valuation specialists to assist the auditor in evaluating the valuation models used by the Group to value certain level 3 financial instruments and to perform, on a sampling basis, independent valuations of level 3 financial instruments and compare these valuations with the Group's valuations.

In relation to fair value measurement of the valuation of the level 3 financial assets (including, among other things the Price/Invested Capital multiple and P/B multiple used in the valuation of level two Joint Factories) of the Group, the Joint Sponsors have:

(i) interviewed the Valuer to assess its qualifications and competency and to understand, (a) details of the valuation procedures conducted by the Valuer, including the reasons and bases of the selection of comparable transactions and the Price/Invested Capital multiple and P/B multiple of such transactions; and (b) the reasonableness of the valuation results of the level 3 financial assets of the Group;

(ii) reviewed the valuation reports issued by the Valuer as well as relevant underlying documents and information provided by the Company and the Valuer;

(iii) discussed with the Company to understand, (a) the preparation of the underlying information conducted by the Company in relation to the valuation on level 3 financial assets of the Group; and (b) the Company's view of the fairness and reasonableness of the assumptions, basis and approaches of such valuation; and

(iv) interviewed the Reporting Accountants to understand the work they have performed in relation to such valuation and their assessment of the accuracy of such valuation.

Based on the due diligence work conducted by the Joint Sponsors as stated above, there were no material findings which would cause the Joint Sponsors to disagree with the conclusion from the Company.

Dividend Policy

During the Track Record Period, we distributed dividend of approximately RMB304.7 million to our shareholders in 2018. Our Articles of Association provide that dividends may be paid in cash, stock or a combination of cash and stock. Any proposed dividend distribution shall be formulated by the Board and subject to Shareholders' approval. We do not currently have a fixed dividend payout ratio. The amount of dividends to be declared and distributed will depend on the following factors: our overall business condition, results of operation, financial results, working capital, capital requirements, future prospect, cash flow and any other factors which our Board may deem relevant. We may declare interim dividend after taking into account the relevant factors that our Board deems relevant.

After the H shares are listed on Hong Kong Stock Exchange, the profit after tax of our Company used for dividend distribution will be the lesser of (i) the net profit determined in accordance with PRC GAAP or (ii) the net profit determined in accordance with IFRS. However, we cannot assure you that we can declare or distribute any amount of dividend in each year or any year. The declaration and distribution of dividend may be limited by legal restrictions or financing arrangements which we may enter into in the future.

Both our holders of Domestic Shares and H shareholders are entitled to our accumulated retained earnings prior to the Global Offering.

Distributable Reserves

As of April 30, 2019, the total amount of our distributable reserves is approximately RMB904.4 million (being our retained profits).

Unaudited Pro Forma Adjusted Net Tangible Assets

The following unaudited pro forma adjusted net tangible assets statement attributable to the equity holders of our Company has been prepared in accordance with Rule 4.29 of the Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity holders of our Company as of April 30, 2019, as if the Global Offering had taken place as of April 30, 2019.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as of April 30, 2019 or at any future dates.

	Consolidated net tangible assets attributable to equity owners as of April 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity owners	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity owners per Share	
	Note 1 (RMB'000)	*Note 2* (RMB'000)	*Note 3* (RMB'000)	*Note 4* (RMB)	*Note 5* (HK$)
Based on the Offer Price of HK$9.68 for each Share	2,738,299	968,995	3,707,294	7.61	8.44
Based on the Offer Price of HK$12.48 for each Share	2,738,299	1,265,791	4,004,090	8.21	9.11

Notes:

(1) Our consolidated net tangible assets attributable to equity owners as of April 30, 2019 is based on our consolidated net assets of RMB2,924,341 thousand as of April 30, 2019 after an adjustment for the intangible assets of RMB186,042 thousand, as shown in the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 121,868,000 H Shares to be issued at the estimated Offer Prices of HK$9.68 and HK$12.48 per H Share, respectively, being the low-end price and high-end price, after deduction of the estimated underwriting fees and other estimated related expenses payable by us (excluding the listing expenses which have been accounted for prior to April 30, 2019) and take no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

The estimated net proceeds from the Global offering is converted into Renminbi at an exchange rate of HK$1 to RMB0.90133 published by PBOC prevailing on October 15, 2019. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.

(3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity owners of the Company to reflect our any trading results or other transaction entered into subsequent to April 30, 2019 including but not limited to the dividend declared on June 6, 2019. Had such dividend being declared on April 30, 2019, our unaudited pro forma adjusted consolidated net tangible assets attributable to equity owners of our Company as of April 30, 2019 would have been decreased by approximately RMB365,604 thousand, and our unaudited pro forma adjusted consolidated net tangible assets per Share would have been decreased by approximately RMB0.75 (HK$0.83).

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 487,472,000 Shares in issue immediately following the completion of the Global Offering assuming that the Global Offering has been completed on April 30, 2019 but taking no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

(5) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1 to RMB0.90133 published by PBOC prevailing on October 15, 2019. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.

VALUATION OF INVESTMENT PROPERTY

The following table sets out the reconciliation of the net book value of our investment properties as of April 30, 2019 in the Accountants' Report of Appendix I in this prospectus and valuation of selected properties as of August 31, 2019 in the Valuation Report of Appendix III in this prospectus.

Net book value as of April 30, 2019	**(RMB'000)**
Investment property	324,033
Less: Disposals during May 1, 2019 to August 31, 2018	(5,983)
Fair value adjustment	—
Valuation of selected properties as of August 31, 2019 in the Valuation Report of Appendix III to this prospectus	318,050

DISCLOSURE UNDER RULE 13.13 TO 13.19 OF HONG KONG LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there had been no circumstances which would give rise to disclosure requirements under Rules 13.13 to 13.19 under the Listing Rules, with respect to advances to entity, provision of financial allowances and guarantees by issuers to associates, pledge of shares by controlling shareholders, loan agreement in relation to the condition of performance of specific obligations by controlling shareholders and violation of loan agreement by the issuer.

RELATED PARTY TRANSACTIONS

Our Directors consider that several related party transactions set out in Note 33 in Appendix I-Accountants' Report in this prospectus are conducted in the ordinary course of business and on normal commercial terms between the relevant parties, which are considered fair, reasonable and in the interest of the Company and our Shareholders as a whole. All the outstanding balance of our related party transactions as of April 30, 2019 was of trade nature in our ordinary course of business.

NO MATERIAL AND ADVERSE CHANGES

Our Directors confirmed that they have performed sufficient due diligence to ensure that, from April 30, 2019 (being the preparation date of the latest consolidated financial results of our Company) to the date of this prospectus, there were no material and adverse changes in our financial or trading positions, and there is no event since April 30, 2019 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with cornerstone investors (the "**Cornerstone Investors**", and each a "**Cornerstone Investor**"), pursuant to which, subject to certain conditions precedent, the Cornerstone Investors have agreed to subscribe, or cause their designated entities (including qualified domestic institutional investor) to subscribe, at the Offer Price for certain number of our Offer Shares (the "**Cornerstone Placing**").

Based on the Offer Price of HK$9.68 per Offer Share, being the low end of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 50,059,800, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 41.08% of the H Shares in issue upon completion of the Global Offering; and (ii) 10.27% of the Shares in issue upon completion of the Global Offering.

Based on the Offer Price of HK$11.08 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 43,734,600, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 35.89% of the H Shares in issue upon completion of the Global Offering; and (ii) 8.97% of the Shares in issue upon completion of the Global Offering.

Based on the Offer Price of HK$12.48 per Offer Share, being the high end of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by the Cornerstone Investors would be 38,828,100, representing, assuming that the Over-allotment Option is not exercised, approximately (i) 31.86% of the H Shares in issue upon completion of the Global Offering; and (ii) 7.97% of the Shares in issue upon completion of the Global Offering.

The Directors believe that introducing the Cornerstone Investors to the Global Offering can secure the subscription of a certain amount of the Offer Shares, thus reducing the risk of unsuccessful issuance under volatile market conditions. In addition, the Company is of the view that the investments of the Cornerstone Investors in the Company demonstrate to the potential investors that they are confident in the Company's business and prospects.

The Cornerstone Placing will form part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of the Company. As confirmed by each of the Cornerstone Investors, none of them will subscribe for any Offer Shares under the Global Offering (other than pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in the Company, nor will any of the Cornerstone Investors become a substantial shareholder of the Company (as defined under the Hong Kong Listing Rules). The Offer Shares to be subscribed by the Cornerstone Investors may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the subsection headed "Structure of the Global Offering—The Hong Kong Public Offering—Reallocation".

To the best knowledge of the Company, each of the Cornerstone Investors is an Independent Third Party and independent of other Cornerstone Investors, not our connected person and not our existing shareholder or its close associates. In addition, the Company confirms that (i) there is no side agreement or arrangement between the Group and each of the Cornerstone Investors entered into between the Group and each of the Cornerstone Investors for the purpose of the Cornerstone Placing; (ii) none of the Cornerstone Investors are accustomed to take instructions from the Company, the Directors, chief executive of the Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates; and (iii) none of the subscription of the H Shares by the Cornerstone Investors are financed by the Company, the Directors, chief executive of the Company, Controlling Shareholders, substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of the allotment results of the Company to be published on or around November 5, 2019.

Pursuant to the terms of the cornerstone investment agreements entered into with each Cornerstone Investor, China International Capital Corporation Hong Kong Securities Limited has the right to defer delivery of the Offer Shares to be subscribed by each of the Cornerstone Investors in order to facilitate the stabilization by the Stabilizing Manager as well as to cover over-allocations in the International Offering. It is expected that the number of H Shares that could potentially be subject to deferred delivery will not be more than 18,280,200 H Shares. The latest time for delivery will be three business days from the expiry date for the exercise of the Over-allotment Option. Separately, the cornerstone investment agreement entered into with Zoomlion International Trading (H.K.) Co., Limited provides for deferral in settlement in payment in respect of the portion of the Offer Shares under deferred delivery, pursuant to which the latest time for payment will be on or before 8:00 a.m. on the delivery date. Save and except for the agreement with Zoomlion International Trading (H.K.) Co., Limited, none of the Cornerstone Investors will be able to defer settlement in payment.

CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

Cornerstone Investor	Investment Amount	Indicative Offer Price(1)	Number of H Shares to be subscribed (rounded down to the nearest whole board lot of 300 H Shares)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering		Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering		Approximate percentage of the H Shares to be offered in the International Offering (assuming no reallocation)	
				Assuming Over-allotment Option is not exercised	Assuming Over-allotment Option is exercised in full	Assuming Over-allotment Option is not exercised	Assuming Over-allotment Option is exercised in full	Assuming Over-allotment Option is not exercised	Assuming Over-allotment Option is exercised in full
1. Zoomlion International Trading (H.K.) Co., Limited	RMB210.00 million (equivalent to approximately HK$232.99 million)(2)	HK$9.68	24,069,000	4.94%	4.76%	19.75%	17.17%	21.94%	18.81%
		HK$11.08	21,027,600	4.31%	4.16%	17.25%	15.00%	19.17%	16.43%
		HK$12.48	18,668,700	3.83%	3.69%	15.32%	13.32%	17.02%	14.59%
2. Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司)	RMB200.00 million (equivalent to approximately HK$221.89 million)(2)	HK$9.68	22,922,700	4.70%	4.53%	18.81%	16.36%	20.90%	17.91%
		HK$11.08	20,026,500	4.11%	3.96%	16.43%	14.29%	18.26%	15.65%
		HK$12.48	17,779,800	3.65%	3.52%	14.59%	12.69%	16.21%	13.89%
3. Evergreen Commercial Company Limited* (長青商務有限公司)	HK$29.70 million(3)	HK$9.68	3,068,100	0.63%	0.61%	2.52%	2.19%	2.80%	2.40%
		HK$11.08	2,680,500	0.55%	0.53%	2.20%	1.91%	2.44%	2.09%
		HK$12.48	2,379,600	0.49%	0.47%	1.95%	1.70%	2.17%	1.86%

Note:

1. *Being the low end, mid-point and high end of the Offer Price range set out in this prospectus respectively*
2. *calculated based on an exchange rate of HK$1 to RMB0.90133 prescribed in its cornerstone investment agreement with the Company*
3. *pursuant to the cornerstone investment agreement with Evergreen Commercial Company Limited, the investment amount (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) is HK$30.00 million*

The information about the Cornerstone Investors as set forth below has been provided by the Cornerstone Investors.

Zoomlion International Trading (H.K.) Co., Limited

Zoomlion International Trading (H.K.) Co., Limited is a company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司) ("**Zoomlion**") which mainly engages in the research, development, manufacturing, sales and services of engineering machineries and agricultural machineries. Zoomlion is one of the first national innovative enterprises selected by the Ministry of Science and Technology of the PRC, SASAC and All-China Federation of Trade Unions in 2008 with its A shares listed domestically (Shenzhen Stock Exchange, stock code: 000157) and H shares listed in Hong Kong (Hong Kong Stock Exchange, stock code: 1157).

Our Directors have confirmed that Zoomlion and its subsidiaries are our suppliers starting from 2017 and have primarily supplied equipment to us. Our Directors consider that our transactions with Zoomlion and its subsidiaries have been negotiated on an arm's length basis and have been conducted in the ordinary course of business and on normal commercial terms.

Through business cooperation with us, Zoomlion is confident in the future growth and business prospects of our Group and decides to participate in the Cornerstone Placing. The consideration for its Cornerstone Placing is expected to be funded with the internal resources of Zoomlion International Trading (H.K.) Co., Limited.

Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司)

Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) is a limited liability company incorporated in the PRC and mainly engages in industry investment, project investment, equity investment, market financing, capital operation and asset operation. It is an indirect wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission of Changsha Municipal People's Government* (長沙市人民政府國有資產監督管理委員會).

Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) noticed our Proposed Listing through the application proof of the Company published on the website of the Hong Kong Stock Exchange, and it is interested to make investment in our business. As such, Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) approached us to participate in the Cornerstone Placing. The consideration for its Cornerstone Placing is expected to be funded by a combination of its internal resources and shareholders' loan by Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司).

Evergreen Commercial Company Limited* (長青商務有限公司)

Evergreen Commercial Company Limited* (長青商務有限公司) is a company incorporated in Hong Kong with limited liability. It is an indirect wholly-owned subsidiary of Gemdale Corporation* (金地（集團）股份有限公司), which mainly engages in real estate development. A shares of Gemdale Corporation are listed on the Shanghai Stock Exchange (stock code: 600383).

Our Directors have confirmed that Gemdale Corporation and its subsidiaries are our customers starting from 2013. Our Directors consider that our transactions with Gemdale Corporation and its subsidiaries have been negotiated on an arm's length basis and have been conducted in the ordinary course of business and on normal commercial terms.

Through business cooperation with us, Gemdale Corporation is confident in the future growth and business prospects of our Group and decides to participate in the Cornerstone Placing. The consideration for its Cornerstone Placing is expected to be funded with the shareholders' loans by Evergreen Commercial Company Limited* (長青商務有限公司) (i.e. loans from Famous Commercial Limited, a company directly holding 100% interest in it).

Save as disclosed above, as far as the Company is aware, there is no other past or present relationship between each of the Cornerstone Investors on the one hand, and the Company (including the Joint Factories' relationship) and its subsidiaries, their shareholders, directors and senior management or any of their respective associates on the other hand.

As disclosed above, each of Zoomlion and Gemdale Corporation is a listed company, and each of them has confirmed that it is not required to obtain its shareholders' approval nor any approval from the stock exchange where its shares are listed to invest in the Company.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the underwriting agreements for the Hong Kong Public Offering and the International Offering being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

(b) the Offer Price having been agreed between the Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);

(c) the Listing Committee having granted the listing of, and permission to deal in, the H Shares, as well as other applicable waivers, approvals and permissions, and such approval, waiver or permission having not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(d) no relevant laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court or a governmental authority of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective representations, warranties, acknowledgements, undertakings and confirmations of the relevant Cornerstone Investors under the relevant cornerstone investor agreements being accurate and true in all respects and not misleading and there being no material breach of the relevant cornerstone investment agreements on the part of the relevant Cornerstone Investors.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the "**Relevant Shares**") or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; (iii) publicly announce any plans for agreeing to or entering into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

Each Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes to be bound by such Cornerstone Investor's obligations under the relevant cornerstone investment agreement and be subject to the restrictions on disposal of the Relevant Shares imposed on such Cornerstone Investor.

FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed "Business—Our Strategies".

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$1,237.5 million (assuming an Offer Price of HK$11.08 per H Share, being the mid-point of the Offer Price range stated in this prospectus), after deducting the underwriting commissions and other estimated expenses paid and payable by us in relation to the Global Offering, and assuming no exercise of the Over-allotment Option.

We intend to use such net proceeds for the following purposes:

- approximately 45% of the net proceeds, or approximately HK$556.9 million, for expanding our PC unit manufacturing business, of which:
  - (i) approximately 36%, or HK$445.5 million, for establishing wholly-owned regional production centers in key strategic regions, which includes expanding our production capacity into provincial capital cities, such as Wuhan, Jinan and Zhengzhou. We are identifying construction sites for wholly-owned factories in various locations and will purchase land and construct factories according to the local land supply status and market opportunities of such regions. We intend to utilize such net proceeds for purchase of land, construction of factories and purchase of production lines, equipment and other fixed assets. The details are set out as follows:
    - during the year ending December 31, 2019, we will start the site selection and land acquisition for the three production centers in Wuhan, Jinan, and Zhengzhou, and approximately HK$177.7 million will be used for the land acquisition; and
    - during the year ending December 31, 2020, approximately HK$495.7 million (in which approximately HK$267.9 million will be funded by the proceeds from Global Offering and the remaining HK$227.8 million will be funded by cash generated from our business operation and other available financial resources) used in the construction of these production centers.
  - (ii) approximately 9%, or HK$111.4 million, for expanding our factories and upgrading our equipment in existing regional production centers so as to further enhance our production capacity as well as production efficiency of PC units in the regions where our existing regional production centers are located, and maintain or even improve our market shares in these regions. In particular, we plan to expand the general production capacity to meet the needs of future production as required by our contracts on hand and relieve us from capacity constraints during peak seasons, for example, expanding the current production lines and facilities in certain existing regional production centers and to conduct certain research and development projects for our current equipment and systems to increase our production efficiency. The details are set out as follows:
    - starting from the first quarter of 2019 till end of 2022, approximately HK$60.0 million to HK$72.7 million will be used for four main development

and upgrading plans of the current equipment and systems, including but not limited to the feeding equipment, raw material placing equipment, high frequency oscillation equipment and scribing system; and

- before end of 2020, the remaining HK$38.7 million to HK$51.4 million will be used for the expansion of the general production capacity of six existing regional production centers in Hunan, Zhejiang, Anhui, Jiangsu, Tianjin and Shanghai.

- approximately 20% of the net proceeds, or approximately HK$247.5 million, for expansion in overseas market and establishing technology and production centers targeting overseas market, of which:

  (i) approximately HK$238.7 million will be used to promote the prefabricated villa products to certain developed countries and regions in, for instance, Europe, North America and Persian Gulf area. The details of our plan are set out below:

  - early in the year 2020, we plan to launch new types of prefabricated villa products and start to accept pre-ordering;

  - during the year ending December 31, 2020, we plan to build a new manufacturing factory in a major port city in China focusing on manufacturing, assembling and exporting the prefabricated villa products overseas. We plan to use (a) approximately HK$37.3 million, which will be fully funded by the net proceeds from Global Offering, for the land acquisition; (b) approximately HK$59.7 million, which will be fully funded by the net proceeds from Global Offering, for construction of the new manufacturing factory; and (c) approximately HK$285.0 million, in which approximately HK$141.7 million will be funded by the proceeds from Global Offering and the remaining HK$143.3 million will be funded with cash generated from operating activities and other financial means available advances for the purchase and installation of production equipment; and

  - by end of 2021, we expect to achieve the massive production of prefabricated villa products.

  (ii) approximately HK$8.8 million will be used for the construction of a PC unit manufacturing factory serving the housing need in Poland. On July 1, 2019, we entered into an investment cooperation agreement with Cize, pursuant to which, among other things, we agreed to acquire 35% equity interest of Target Company from Cize provided that the Target Company will become the owner of a designated land parcel. The consideration of PLN6,475,000 (equivalent to approximately HK$13.4 million based on the exchange rate on the Latest Practicable Date of PLN1.00 to HK$2.0686) plus the interest accrued thereof which will be calculated at the rate of 8% per annum starting from the date of the land acquisition by the Target Company will be paid using the proceeds from the Global Offering. For details, please refer to the section headed "History and Development—Post Track Record Period Acquisition." As of the Latest Practicable Date, we were under the process of formulating and under discussions with Cize with respect to the detailed plan and timetable for the future development plan on the land.

- approximately 15% of the net proceeds, or approximately HK$185.6 million, for developing and expanding our intelligent equipment business, including PC equipment manufacturing, construction equipment manufacturing and other equipment business, so as to further increase the market share of our intelligent equipment business. By end of 2021, we plan to conduct our research and development on incorporating more technologies in relation to industrial informatization and intelligent manufacturing, by connecting PC equipment with construction equipment based on industrial IoT technology to further improve the automation level of our PC equipment. We also plan to conduct research and development on whole set of production equipment for autoclaved aerated lightweight concrete, and construction equipment. After firstly adopting our research and development results in our wholly-owned factories, we plan to extend such adoptions to the equipment we manufacture by end of 2022. The details are set out as follows:

- during the year ending December 31, 2019, (i) with respect to the introduction of IoT technology, approximately HK$8.7 million will be used for the recruitment of the research and development team and construction of the IoT sample factory; and (ii) with respect to research and development of whole set of production equipment for autoclaved aerated lightweight concrete and construction equipment, approximately HK$8.7 million will be used for the recruitment of our research and development team and conducting research and development of such equipment;
- during the year ending December 31, 2020, (i) with respect to the introduction of IoT technology, approximately HK$36.3 million will be used for the promotion of its IoT technology in the factories; and (ii) with respect to the research and development of whole set of production equipment for autoclaved aerated lightweight concrete and construction equipment, approximately HK$54.5 million will be used for the continuing research and development work and construction of sample factories; and
- during the year ending December 31, 2021 and 2022, (i) with respect to the introduction of IoT technology, approximately HK$36.3 million will be used for further development and upgrade of the IoT technology and the introduction of IoT technology is expected to be completed in 2022; and (ii) with respect to research and development of whole set of production equipment for autoclaved aerated lightweight concrete and construction equipment, approximately HK$41.1 million will be used for further research and development and construction of sample factories.

- approximately 10% of the net proceeds, or approximately HK$123.8 million, for developing and establishing an intelligent service platform in the prefabricated construction industry. We plan to increase our investment in hiring software development talents and purchasing data processing equipment, and continue to build our platform-level PC-CPS management system by optimizing BIM design, construction standards and operational tools, conducting research and development of artificial intelligence manufacturing systems and taking advantage of the PC Maker intelligent design software. We plan to complete the development of intelligent service platform in stages from the design of the whole structure, development of software, hardware and private cloud data center, to the improvement of platform functions and the wide application of the platform in the industry within three years. Capitalizing on advanced software and systems such as PC Maker and PC-CPS, we will continue our efforts to bridge a whole construction industry chain covering design, manufacturing and construction and maintain as a standardized portal for industrialization and intelligent service platform of the construction industry. The design institutes, construction companies, real estate developers, government investment vehicles, property owners and cost supervision consultation companies will be able to use the platform to design the prefabricated buildings, manage the whole assembling process of the construction, analyze and select development plans, select and manage relevant prefabricated construction service providers and analyze the cost of projects. With the platform, we expect to facilitate the streamlining of prefabricated construction process, further enhance our capability of serving the whole industry chain of construction and promote our PC unit products and PC equipment which match the standards embedded in the platform. The details are set out as follows:

  - Phase I: during the year ending December 31, 2019, approximately HK$19.0 million will be used to complete the overall architecture design and demonstration of the platform, integrate its existing IT hardware and software sources, and improve the corresponding software and hardware environment and purchase corresponding software and hardware products and services;
  - Phase II: during the year ending December 31, 2020, approximately HK$37.9 million will be used to construct the all-platform private cloud data center and expand through rental of public cloud in due course to improve the BIM system and various functions of the whole platform; and
  - Phase III: during the year ending December 31, 2021, approximately HK$130.1 million will be used in the optimization and integration of the cloud platform system (in which HK$66.9 will be funded by the proceeds from Global Offering and the remaining HK$63.2 million will be funded by cash generated from our business operation and other available financial resources).

- approximately 10% of the net proceeds, or approximately HK$123.8 million, for working capital and other general corporate purposes.

The applications of the net proceeds as stated above are only current estimates and are subject to changes based on prevailing economic, market and business conditions. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range or in the event that the Over-allotment Option is exercised.

In the event that the Offer Price is set at the high end of the proposed Offer Price range, being HK$12.48 per H Share, we estimate that our Company will receive net proceeds of approximately HK$1,402.2 million, after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the Global Offering (assuming the Over-allotment Option is not exercised).

In the event that the Offer Price is set at the low end of the proposed Offer Price range, being HK$9.68 per H Share, we estimate that our Company will receive net proceeds of approximately HK$1,072.9 million, after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the Global Offering (assuming the Over-allotment Option is not exercised).

In the event the Over-allotment Option is exercised in full, we will receive net proceeds ranging from approximately HK$1,243.6 million (assuming an Offer Price of HK$9.68 per H Share, being the low end of the proposed Offer Price range) to HK$1,622.3 million (assuming an Offer Price of HK$12.48 per H Share, being the high end of the proposed Offer Price range), after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the Global Offering.

To the extent that the above net proceeds of the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing accounts with licensed commercial banks or financial institutions in the PRC or Hong Kong. We expect to utilize net proceeds receivable by our Company from the Global Offering to finance the above purposes. However, to the extent that such net proceeds are unable to fully finance the above purposes, we will use our internal working capital.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
China Securities (International) Corporate Finance Company Limited
CMB International Capital Limited
ABCI Securities Company Limited
CCB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering initially 12,187,200 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Hong Kong Stock Exchange granting approval for listing of, and permission to deal in, the H Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

(A) there develops, occurs, exists or comes into force:

(a) any new laws, rules, regulations, guidelines, opinions, notices, circulars, orders, codes, policies, consents, judgments, decrees or rulings of any court, government, law enforcement agency, governmental or regulatory authority or any other Governmental Authority whether national, provincial, municipal or local, domestic, foreign or supranational (including, without limitation, the Hong Kong Stock Exchange and the SFC) of all relevant jurisdictions (including, without limitation, Hong Kong and the PRC) (the "**Laws**") or any change or development involving a prospective change in existing Laws, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof), Japan (each a "**Relevant Jurisdiction**"); or

(b) any change or development involving a prospective change, or any event or series of events or circumstance likely to result in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, currency market, credit, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets, investment markets and inter-bank and credit markets) in or affecting any Relevant Jurisdiction; or

(c) any event or series of events or circumstance in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, storm, other natural disaster, civil commotion, rebellion, riots, aircraft collision, political instability, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is or has been declared), acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9 and such related/mutated forms, economic sanction, or other state of emergency or calamity or crisis, in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(d) any moratorium, suspension or limitation (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

(e) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of the Government of Hong Kong or the Hong Kong Monetary Authority or other competent administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign or supranational (the "**Governmental Authority**"), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, Singapore, the PRC, the European Union (or any member thereof), Japan or any other Relevant Jurisdiction declared by the relevant Governmental Authority or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(f) any (A) change or development involving a prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the U.S. dollars or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares, or (B) any change or development involving a prospective change in all forms of taxation whenever created, imposed or arising and whether of Hong Kong, the PRC or of any other part of the world and, without prejudice to the generality of the foregoing, includes all forms of taxation on or relating to profits, salaries, interest and other forms of income, taxation on capital gains, sales and value added taxation, business tax, estate duty, death duty, capital duty, stamp duty, payroll taxation, withholding taxation, rates and other taxes or charges relating to property, customs and other import and excise duties, and generally any taxation, duty, impost, levy, rate, charge or any amount payable to revenue, customs or fiscal authorities whether of Hong Kong, the PRC or of any other part of the world, whether by way of actual assessment, withholding, loss of allowance, deduction or credit available for relief or otherwise, and including all interest, additions to tax, penalties or similar liabilities arising in respect of any taxation (the "**Taxation**") in any Relevant Jurisdiction; or

(g) other than with the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, the Application Forms, the preliminary offering circular or the offering circular of the International Offering or other documents in connection with the offer of the H Shares pursuant to the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance or the Hong Kong Listing Rules or upon any requirement or request of the Hong Kong Stock Exchange or the SFC; or

(h) any change or development involving a prospective change which has the effect of materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(i) any actions, suits, claims (whether or not any such claim involves or results in any proceeding), demands, investigations, judgment, awards and proceedings (including, without limitation, any investigation or inquiry by or before any Governmental Authority)(the "**Proceedings**") being threatened or instigated against any member of the Group or any Director; or

(j) a Governmental Authority or a regulatory body or organization in any Relevant Jurisdiction commencing any Proceedings, or announcing an intention to commence any Proceedings, against any member of the Group or any Director; or

(k) any of the chairman or president vacating his office, any Director being charged with an indictable offense or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company; or

(l) any contravention by any member of the Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance, the PRC Company Law, the Hong Kong Listing Rules or applicable Laws; or

(m) any valid demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any member of the Group, or any member of the Group making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group; or

(n) a prohibition on the Company from offering, allotting or selling the H Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or

(o) the imposition of economic sanctions, or the withdrawal of any trading privileges, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction;

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters): (A) is or will be or may be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or condition (financial or otherwise), or prospects of the Company or the Group as a whole; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased ; or (C) makes or will make it or may make it impracticable or inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the Formal Notice, the preliminary offering circular or the offering circular of the International Offering, and/or to perform or implement any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering as envisaged; or (D) would have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents or delays the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(B) there has come to the notice of any of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers or the Hong Kong Underwriters:

(a) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the Application Proof (as defined in the Hong Kong Underwriting Agreement), the Post hearing information pack ("PHIP") and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Global Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect in any material respect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Offering Documents, the Application Proof, the PHIP and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and not made on reasonable grounds or, where appropriate, not based on reasonable assumptions, when taken as a whole; or

(b) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable Law in any material respect; or

(c) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or

(d) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company or Chairman Zhang, or (ii) any of the representations, warranties and undertakings given by the Company and/or Chairman Zhang in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or misleading; or

(e) any of the experts listed in "Appendix VIII—Statutory and General Information—D. Other Information—7. Qualification of experts" (other than the Joint Sponsors) has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(f) any event, act or omission which gives or is likely to give rise to any liability of the Company and Chairman Zhang pursuant to the indemnities given by the Company and Chairman Zhang under the Hong Kong Underwriting Agreement; or

(g) any litigation or dispute or potential litigation or dispute, which would materially and adversely affect the operation, financial condition or reputation of the Group, or composition of the board of the Company; or

(h) any material breach of any of the obligations of the Company or Chairman Zhang under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(i) a significant portion of the orders in the bookbuilding process at the time of the International Underwriting Agreement is entered into, or the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated, canceled or repudiated; or

(j) any person has withdrawn its consent to being named in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) or to the issue of any of the Hong Kong Public Offering Documents; or

(k) any material adverse change or prospective material adverse change or development involving a material prospective adverse change in the assets, business, general affairs, management, shareholder's equity, profits, losses, properties, results of operations, in the position or condition (financial or otherwise) or prospects of the Group, as a whole; or

(l) the grant or agreement to grant by the Listing Committee of the Hong Kong Stock Exchange of the listing on the Main Board of, and permission to deal on the Main Board in, the Offer Shares (the "**Admission**") is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(m) the Company has withdrawn this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;

then the Joint Global Coordinators (for themselves and on behalf of the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters) and the Joint Sponsors may, in their sole and absolute discretion and upon giving written notice to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules

Undertakings by the Company

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the Over-allotment Option, no further shares or securities convertible into shares of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Hong Kong Listing Rules, our Controlling Shareholders have undertaken to us and to the Hong Kong Stock Exchange that, except pursuant to the Global Offering (including the Over-allotment Option), they will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with applicable requirements of the Hong Kong Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "First Six-month Period"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those shares or securities of the Company in respect of which they are shown by this prospectus to be the beneficial owner (as defined in the Hong Kong Listing Rules); or

(b) in the period of six months commencing on the date on which the First Six-month Period (the "Second Six-month Period") expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they would cease to be our controlling shareholders (as defined in the Hong Kong Listing Rules).

In addition, pursuant to Note (3) to Rule 10.07(2) of the Hong Kong Listing Rules, our Controlling Shareholders have also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of their shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, they will:

(a) when they pledge or charge any of Shares or other securities of the Company beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

(b) when they receive any indications, either verbal or written, from any pledgee or chargee of any of Shares or of other securities of the Company pledged or charged that such Shares or securities will be disposed of, immediately inform us and the Joint Global Coordinators of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by the our Controlling Shareholders and announce such as soon as possible after being so informed by our Controlling Shareholders.

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Except pursuant to the Global Offering (including pursuant to the Over-allotment Option), we have also undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date falling six months from the Listing Date (the "First Six Month Period"), we will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any legal or beneficial interest in the share capital or any other securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any share capital or other securities of the Company, as applicable), or deposit any share capital or other securities of the Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities of the Company or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the transactions specified above is to be settled by delivery of share capital or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six Month Period).

The Company has further agreed that, in the event the Company enters into any of the transactions specified above or offers to or agrees to or announces any intention to effect any such transaction after the First Six Month Period, it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

Undertakings by Chairman Zhang

Chairman Zhang has undertaken to each of the Company, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors to procure that, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules (and only after the consent of any relevant Governmental Authority (if so required) has been obtained):

(a) Chairman Zhang will not, at any time during the First Six Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of the Company with a depositary in connection with the issue of depositary receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of the Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six Month Period);

(b) Chairman Zhang will not, during the Second Six-month Period, enter into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, Chairman Zhang will cease to be a "controlling shareholder" (as the term is defined in the Hong Kong Listing Rules) of the Company; and

(c) until the expiry of the Second Six-month Period, in the event that Chairman Zhang enters into any of the transactions specified in paragraph (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, that Chairman Zhang will take all reasonable steps to ensure that it will not create a disorderly or false market in the equity securities of the Company.

Indemnity

The Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the

Hong Kong Underwriting Agreement and any breach by the Company of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that the Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, among others, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue and allot up to an aggregate of 18,280,200 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over allocations (if any) in the International Offering.

It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters (but not the Hong Kong Underwriters). The Company may also in its sole discretion pay the Hong Kong Underwriters an additional incentive fee of up to 1.0% of the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$11.08 per Offer Share (being the mid-point of the indicative Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) are expected to be approximately HK$54.3 million.

Assuming an Offer Price of HK$11.08 per H Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees (assuming the full payment discretionary incentive fee and no exercise of the Over-allotment Option), together with listing fees, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by the Company relating to the Global Offering are estimated to be approximately HK$112.8 million in total. Such commissions, fees and expenses are payable by the Company.

The commission and expenses were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

HONG KONG UNDERWRITERS' INTERESTS IN THE COMPANY

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in the Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in the Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

JOINT SPONSORS' INDEPENDENCE

The Joint Sponsors satisfies the independence criteria set out in Rule 3A.07 of the Hong Kong Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in China and the U.S.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in "Structure of the Global Offering."

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to adjustment and the Over-allotment Option):

(i) the Hong Kong Public Offering of 12,187,200 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 109,680,800 Offer Shares (subject to reallocation as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A pursuant to an exemption from the registration requirements of the U.S. Securities Act.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.00% of the enlarged registered share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.71% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in "The Hong Kong Public Offering—Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 12,187,200 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 2.50% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "Conditions of the Hong Kong Public Offering" below.

Allocation

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 6,093,600 Offer Shares for pool A and 6,093,600 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) or less.

The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. In addition, multiple or suspected multiple applications and any application for more than 6,093,600 Offer Shares, being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. In the event of over-applications, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the Hong Kong Public Offering is oversubscribed by less than 15 times of the number of H Shares initially available under the Hong Kong Public Offering, then H Shares will not be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 12,187,200 H Shares, representing approximately 10% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of H Shares initially

available under the Hong Kong Public Offering, then H Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 36,560,400 H Shares, representing 30% of the H Shares initially available under the Global Offering.

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the H Shares initially available under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 48,747,600 H Shares, representing approximately 40% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 100 times or more of the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 60,934,200 H Shares, representing approximately 50% of the H Shares initially available under the Global Offering.

In addition, the Joint Global Coordinators may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEx-GL91-18 issued by the Hong Kong Stock Exchange, if (a) the International Offering is undersubscribed and the Hong Kong Public Offering are fully subscribed or oversubscribed irrespective of the number of times or (b) when the International Offering is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times the total number of Offer Shares initially available under the Hong Kong Public Offering, then in any of these circumstances, the Joint Global Coordinators may only reallocate Offer Shares from the International Offering to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Hong Kong Listing Rules on the following conditions:

(i) the total number of Offer Shares that may be reallocated from the International Offering to the Hong Kong Public Offering shall be not more than the number of Offer Shares initially allocated to the Hong Kong Public Offering i.e. 12,187,200 H Shares, representing approximately 10% of the H Shares initially available under the Global Offering, so that the total number of Offer Shares for subscription under the Hong Kong Public Offering will increase up to 24,374,400 H Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the H Shares initially available under the Global Offering; and

(ii) the final Offer Price shall be fixed at the low-end of the indicative offer price range stated in this prospectus (i.e. HK$9.68 per Offer Share).

In accordance with Guidance Letter HKEX-GL91-18 issued by the Hong Kong Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Hong Kong Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 24,374,400 H Shares) and the final Offer Price shall be fixed at the low-end of the indicative price range stated in this prospectus (i.e. HK$9.68 per Offer Share).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such proportion and amounts as they deem appropriate. Conversely, the Joint Global Coordinators may at their discretion reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$12.48 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Pricing of the Global Offering" below, is less than the maximum price of HK$12.48 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 109,680,800 Offer Shares to be offered by us.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 18,280,200 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Wednesday, October 30, 2019 and in any event on or before Tuesday, November 5, 2019, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$12.48 per H Share and is expected to be not less than HK$9.68 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective**

investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notices of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range and will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offering. Upon issue of a notice and supplemental prospectus in the reduction of the Offer Price, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. **Applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.** Such notice and supplemental prospectus will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics, and future plans and use of proceeds as currently set out in this prospectus and any other financial information which may change as a result of such reduction. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering and assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$1,072.9 million, assuming an Offer Price per H Share of HK$9.68, or approximately HK$1,402.2 million, assuming an Offer Price per H Share of HK$12.48 (or if the Over-allotment Option is exercised in full, approximately HK$1,243.6 million, assuming an Offer Price per H Share of HK$9.68, or approximately HK$1,622.3 million, assuming an Offer Price per H Share of HK$12.48).

The Offer Price for H Shares under the Global Offering is expected to be announced on Tuesday, November 5, 2019.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Tuesday, November 5, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of the Company at **www.bhome.com.cn**.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, China International Capital Corporation Hong Kong Securities Limited, as Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within the 30th day after the last day for lodging applications under the Hong Kong Public Offering.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;

(ii) in connection with any action described in paragraph (i) above:

  (A) (1) over-allocate the Offer Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

  (B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (A) above;

(C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

(D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on the Listing Date and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilization period is expected to expire on Thursday, November 28, 2019. After this date, when no further stabilization action may be taken, demand for the H Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 18,280,200 additional H Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, November 6, 2019, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Wednesday, November 6, 2019. Our H Shares will be traded in board lots of 300 H Shares each.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares to be issued (including any additional Offer Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering; and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** for the Hong Kong Offer Shares.

Unless permitted by the Hong Kong Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a director or chief executive officer of the Company and/or any of its subsidiaries;

- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Global Offering; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, October 24, 2019 till 12:00 noon on Tuesday, October 29, 2019 from:

(i) any of the following offices of the Joint Global Coordinators:

China International Capital Corporation Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

China Securities (International) Corporate Finance Company Limited
18/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

(ii) any of the following branches of the following receiving banks:

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan, Hong Kong
	409 Hennessy Road Branch	409-415 Hennessy Road, Wan Chai, Hong Kong
New Territories	City One Sha Tin Branch	Shop Nos. 24-25, G/F, Fortune City One Plus, No. 2 Ngan Shing Street, Sha Tin, New Territories
	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O, New Territories
	Texaco Road Branch	Shop A112, East Asia Gardens, 36 Texaco Road, Tsuen Wan, New Territories

CMB Wing Lung Bank Limited

District	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Kennedy Town Branch	28 Catchick Street
	Aberdeen Branch	201 Aberdeen Main Road
	Central District Branch	189 Des Voeux Road Central
Kowloon	Mongkok Branch	B/F CMB Wing Lung Bank Centre, 636 Nathan Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, October 24, 2019 till 12:00 noon on Tuesday, October 29, 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a check or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED—BROAD HOMES INDUSTRIAL GROUP PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Thursday, October 24, 2019 – 9:00 a.m. to 5:00 p.m.
- Friday, October 25, 2019 – 9:00 a.m. to 5:00 p.m.
- Saturday, October 26, 2019 – 9:00 a.m. to 1:00 p.m.
- Monday, October 28, 2019 – 9:00 a.m. to 5:00 p.m.
- Tuesday, October 29, 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, October 29, 2019, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) **undertake** to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law and the Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) **agree** that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) **undertake** and **confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) **agree** to disclose to the Company, our H Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Global Coordinators and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorize** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website at **www.eipo.com.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at **www.eipo.com.hk**, you authorize the **White Form eIPO** service provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** service provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, October 24, 2019 until 11:30 a.m. on Tuesday, October 29, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, October 29, 2019 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Commitment to Sustainability

The obvious advantage of the White Form eIPO is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, the designated White Form eIPO Service Provider, will contribute HK$2 for each "Changsha Broad Homes Industrial Group Co., Ltd." White Form eIPO application submitted via the website **www.eipo.com.hk** to support sustainability.

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com)** (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.
- agree with the Company, for itself and for the benefit of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder of the Company and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association of the Company;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with the Company (for the Company itself and for the benefit of each Shareholder of the Company) that H Shares in the Company are freely transferable by their holders; and
- authorize the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association of the Company.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 300 Hong Kong Offer Shares. Instructions for more than 300 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[(1)]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Thursday, October 24, 2019 – 9:00 a.m. to 8:30 p.m.
- Friday, October 25, 2019 – 8:00 a.m. to 8:30 p.m.
- Monday, October 28, 2019 – 8:00 a.m. to 8:30 p.m.
- Tuesday, October 29, 2019 – 8:00 a.m. to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants and/or CCASS Investor Participant.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, October 24, 2019 until 12:00 noon on Tuesday, October 29, 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, October 29, 2019, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, October 29, 2019 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 300 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 300 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock

Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering—Pricing of the Global Offering"

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning; and/or
- Extreme Conditions

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, October 29, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, October 29, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, November 5, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.bhome.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.bhome.com.cn** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than 8:00 a.m. on Tuesday, November 5, 2019;
- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Tuesday, November 5, 2019 to 12:00 midnight on Monday, November 11, 2019;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Tuesday, November 5, 2019 to Friday, November 8, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours on Tuesday, November 5, 2019 to Thursday, November 7, 2019 at all the receiving banks' designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure of the Global Offering”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the check or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering— Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the check or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, November 5, 2019.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Hong Kong Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, H Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of H Share certificates and refund monies as mentioned below, any refund cheques and H Share certificates are expected to be posted on or before Tuesday, November 5, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier's order(s).

H Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, November 6, 2019 provided that (1) the Global Offering has become unconditional in all respects and (2) the Underwriting Agreements have not been terminated in accordance with their respective terms. Investors who trade H Shares prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or H Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, November 5, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or H Share certificate(s) will be sent to the address on the relevant Application Form on or before Tuesday, November 5, 2019, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Tuesday, November 5, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Tuesday, November 5, 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, November 5, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your H Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, November 5, 2019, or such other date as notified by the Company in the newspapers as the date of despatch/collection of H Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your H Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your H Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Tuesday, November 5, 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of H Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your H Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, November 5, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Tuesday, November 5, 2019. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, November 5, 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Tuesday, November 5, 2019. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and

the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, November 5, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-96, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO., LTD., CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED AND CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED

Introduction

We report on the historical financial information of Changsha Broad Homes Industrial Group Co., Ltd. (長沙遠大住宅工業集團股份有限公司) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-96, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2016, 2017 and 2018 and April 30, 2019, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-96 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated October 24, 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical

Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at December 31, 2016, 2017 and 2018 and April 30, 2019 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period corresponding financial information

We have reviewed the stub period corresponding financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the four months ended April 30, 2018 and other explanatory information (the "Stub Period Corresponding Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provision) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 31(c) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
October 24, 2019

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP (畢馬威華振會計師事務所（特殊普通合夥）) in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

A FINANCIAL INFORMATION

1. Consolidated statements of comprehensive income

	Note	Years ended December 31, 2016	2017	2018	Four months ended April 30, 2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	4	1,671,495	1,935,689	2,269,129	355,308	646,009
Cost of sales		(1,069,012)	(1,230,759)	(1,544,582)	(251,288)	(483,173)
Gross profit		602,483	704,930	724,547	104,020	162,836
Valuation gains on investment properties	11	—	13,966	53,871	40,468	—
Other income	5	50,825	53,069	32,044	15,504	11,624
Sales and distribution expenses		(80,309)	(110,611)	(111,746)	(30,771)	(61,741)
General and administrative expenses		(161,226)	(174,037)	(229,182)	(58,034)	(68,449)
Research and development expenses		(96,383)	(115,063)	(125,971)	(39,690)	(38,039)
Profit from operations		315,390	372,254	343,563	31,497	6,231
Finance costs	6(a)	(55,322)	(77,382)	(72,412)	(24,858)	(34,098)
Share of profits less losses of associates	17	(17,120)	(69,731)	(98,321)	(38,451)	(26,305)
Gains on disposal of subsidiaries		—	13,509	108,439	—	—
Gains on loss of significant influence in associates	17	—	—	261,494	70,557	87,343
Gains on disposal of partial interest in associates		—	—	—	—	7,580
Gains on disposal of associates		—	—	11,506	11,506	1
Profit before taxation	6	242,948	238,650	554,269	50,251	40,752
Income tax	7	(45,302)	(70,259)	(87,965)	(12,790)	(5,535)
Profit for the year/period		197,646	168,391	466,304	37,461	35,217
Other comprehensive income for the year/period (after tax)						
Items that may be reclassified subsequently to profit or loss:						
Reclassification of property, plant and equipment to investment property		4,961	—	—	—	—
Disposal of investment property		—	—	247	—	—
Total comprehensive income for the year/period		202,607	168,391	466,551	37,461	35,217
Earnings per share (RMB)						
Basic (RMB)	10	0.58	0.49	1.28	0.10	0.10
Diluted (RMB)	10	0.58	0.49	1.28	0.10	0.10

The accompanying notes form part of the Historical Financial Information.

A FINANCIAL INFORMATION—continued

2. Consolidated statements of financial position

	Note	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at April 30, 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Investment property	11	259,608	273,574	324,033	324,033
Property, plant and equipment	12	784,321	943,740	1,173,956	1,298,356
Lease prepayments	13	396,305	385,003	280,325	—
Intangible assets	14	64,017	84,619	161,616	186,042
Right-of-use assets	15	—	—	—	391,998
Interest in associates	17	436,042	1,005,065	663,808	547,080
Financial assets at fair value through profit or loss	18	—	—	833,357	1,060,292
Deferred tax assets	30	29,059	32,728	36,291	27,044
Total non-current assets		**1,969,352**	**2,724,729**	**3,473,386**	**3,834,845**
Current assets					
Inventories	19	420,096	571,555	375,689	408,537
Contract assets	20(a)	1,646,736	1,113,960	929,992	821,089
Trade and other receivables	21	1,315,119	1,757,503	2,062,994	2,036,411
Financial assets at fair value through profit or loss	18	—	28,000	—	—
Restricted and pledged bank deposits	22	166,039	99,702	187,349	210,689
Cash and cash equivalents	23	279,789	675,942	296,475	294,926
Total current assets		**3,827,779**	**4,246,662**	**3,852,499**	**3,771,652**
Total assets		**5,797,131**	**6,971,391**	**7,325,885**	**7,606,497**
Current liabilities					
Short-term borrowings	24(a)	1,252,100	1,352,389	1,543,894	1,744,417
Trade and other payables	25	1,689,656	1,713,389	1,933,213	1,922,382
Contract liabilities	20(b)	503,089	727,988	497,102	475,473
Obligations under finance leases	26	67,183	—	—	—
Lease liabilities	27	—	—	—	28,122
Deferred income	28	12,265	5,502	4,538	4,839
Current taxation	30	8,646	23,671	9,532	9,335
Total current liabilities		**3,532,939**	**3,822,939**	**3,988,279**	**4,184,568**
Net current assets/(liabilities)		**294,840**	**423,723**	**(135,780)**	**(412,916)**
Total assets less current liabilities		**2,264,192**	**3,148,452**	**3,337,606**	**3,421,929**
Non-current liabilities					
Long-term borrowings	24(b)	366,477	401,137	397,888	403,358
Lease liabilities	27	—	—	—	50,673
Deferred income	28	33,624	37,371	44,475	42,556
Deferred tax liabilities	30	876	2,970	12,520	1,001
Total non-current liabilities		**400,977**	**441,478**	**454,883**	**497,588**
NET ASSETS		**1,863,215**	**2,706,974**	**2,882,723**	**2,924,341**
CAPITAL AND RESERVES					
Share capital	31(a)	285,770	304,670	304,670	365,604
Reserves	31(b)	1,577,445	2,402,304	2,578,053	2,558,737
Total equity attributable to equity shareholders of the Company		1,863,215	2,706,974	2,882,723	2,924,341
TOTAL EQUITY		1,863,215	2,706,974	2,882,723	2,924,341

The accompanying notes form part of the Historical Financial Information.

A FINANCIAL INFORMATION—continued

3. Statements of financial position of the Company

	Note	As at December 31, 2016	2017	2018	As at April 30, 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Investment property		259,608	273,574	324,033	324,033
Property, plant and equipment		227,068	218,338	224,848	216,286
Lease prepayments		117,426	114,638	111,659	—
Intangible assets		51,006	59,330	89,067	99,403
Right-of-use assets		—	—	—	110,664
Investments in subsidiaries	16	945,398	944,190	847,269	893,402
Interest in associates	17	436,042	1,005,065	663,808	547,080
Deferred tax assets		439	383	6,750	1,361
Financial assets at fair value through profit or loss		—	—	833,357	1,060,292
Total non-current assets		**2,036,987**	**2,615,518**	**3,100,791**	**3,252,521**
Current assets					
Inventories		320,483	326,996	69,684	78,369
Trade and other receivables		967,896	1,335,311	2,133,508	2,855,894
Dividends receivable		147,000	392,000	392,000	98,000
Financial assets at fair value through profit or loss		—	28,000	—	—
Restricted and pledged bank deposits	22	184,621	30,933	144,932	176,953
Cash and cash equivalents	23	33,057	605,289	259,713	252,811
Total current assets		**1,653,057**	**2,718,529**	**2,999,837**	**3,462,027**
Total assets		**3,690,044**	**5,334,047**	**6,100,628**	**6,714,548**
Current liabilities					
Short-term borrowings	24(a)	683,010	688,139	1,161,955	1,364,453
Trade and other payables		958,457	1,416,974	1,566,657	1,966,608
Contract liabilities		493,226	694,797	342,113	267,979
Deferred income		12,265	5,502	1,759	1,727
Current taxation		(4,446)	17,568	17,399	23,777
Total current liabilities		**2,142,512**	**2,822,980**	**3,089,883**	**3,624,544**
Net current liabilities		**(489,455)**	**(104,451)**	**(90,046)**	**(162,517)**
Total assets less current liabilities		**1,547,532**	**2,511,067**	**3,010,745**	**3,090,004**
Non-current liabilities					
Long-term borrowings	24(b)	266,477	304,137	276,600	316,400
Deferred income		25,768	21,729	21,495	21,162
Deferred tax liabilities		876	2,970	12,520	—
Total non-current liabilities		**293,121**	**328,836**	**310,615**	**337,562**
NET ASSETS		**1,254,411**	**2,182,231**	**2,700,130**	**2,752,442**
CAPITAL AND RESERVES					
Share capital		285,770	304,670	304,670	365,604
Reserves		968,641	1,877,561	2,395,460	2,386,838
TOTAL EQUITY		**1,254,411**	**2,182,231**	**2,700,130**	**2,752,442**

A FINANCIAL INFORMATION—continued

4. Consolidated statements of changes in equity

		Attributable to equity shareholders of the Company						
	Note	Share capital (note 31(a))	Capital reserve (note 31(b)(i))	Statutory surplus reserve (note 31(b)(ii))	Fair value reserve (recycling) (note 31(b)(iii))	Special reserve (note 31(b)(v))	Retained earnings	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2016		285,770	831,365	—	—	—	529,605	1,646,740
Changes in equity for 2016								
Profit for the year		—	—	—	—	—	197,646	197,646
Other comprehensive income		—	—	—	4,961	—	—	4,961
Total comprehensive income		—	—	—	4,961	—	197,646	202,607
Appropriation for surplus reserve	31(b)(ii)	—	—	13,504	—	—	(13,504)	—
Equity settled share-based transactions	29	—	13,868	—	—	—	—	13,868
Balance at December 31, 2016		285,770	845,233	13,504	4,961	—	713,747	1,863,215
Balance at January 1, 2017		285,770	845,233	13,504	4,961	—	713,747	1,863,215
Changes in equity for 2017								
Profit for the year		—	—	—	—	—	168,391	168,391
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	168,391	168,391
Capital injection		18,900	642,600	—	—	—	—	661,500
Appropriation for surplus reserve	31(b)(ii)	—	—	24,019	—	—	(24,019)	—
Equity settled share-based transactions	29	—	13,868	—	—	—	—	13,868
Balance at December 31, 2017		304,670	1,501,701	37,523	4,961	—	858,119	2,706,974

The accompanying notes form part of the Historical Financial Information.

A FINANCIAL INFORMATION—continued

4. Consolidated statements of changes in equity—continued

		Attributable to equity shareholders of the Company						
	Note	Share capital (note 31(a))	Capital reserve (note 31(b)(i))	Statutory surplus reserve (note 31(b)(ii))	Fair value reserve (recycling) (note 31(b)(iii))	Special reserve (note 31(b)(v))	Retained earnings	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2018		304,670	1,501,701	37,523	4,961	—	858,119	2,706,974
Changes in equity for 2018								
Profit for the year		—	—	—	—	—	466,304	466,304
Other comprehensive income		—	—	—	247	—	—	247
Total comprehensive income		—	—	—	247	—	466,304	466,551
Appropriation for surplus reserve	31(b)(ii)	—	—	77,978	—	—	(77,978)	—
Equity settled share-based transactions	29	—	13,868	—	—	—	—	13,868
Appropriation of profit		—	—	—	—	—	(304,670)	(304,670)
Balance at December 31, 2018		304,670	1,515,569	115,501	5,208	—	941,775	2,882,723

The accompanying notes form part of the Historical Financial Information.

A FINANCIAL INFORMATION—continued

4. Consolidated statements of changes in equity—continued

		Attributable to equity shareholders of the Company						
	Note	Share capital (note 31(a))	Capital reserve (note 31(b)(i))	Statutory surplus reserve (note 31(b)(ii))	Fair value reserve (recycling) (note 31(b)(iii))	Special reserve (note 31(b)(v))	Retained earnings	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2019		304,670	1,515,569	115,501	5,208	—	941,775	2,882,723
Changes in equity for 2019								
Profit for the period		—	—	—	—	—	35,217	35,217
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	35,217	35,217
Conversion of capital reserve to share capital	31(a)	60,934	(60,934)	—	—	—	—	—
Appropriation for surplus reserve	31(b)(ii)	—	—	4,834	—	—	(4,834)	—
Equity settled share-based transactions	29	—	6,401	—	—	—	—	6,401
Balance at April 30, 2019		365,604	1,461,036	120,335	5,208	—	972,158	2,924,341
Balance at January 1, 2018		304,670	1,501,701	37,523	4,961	—	858,119	2,706,974
Changes in equity for 2018								
Profit for the period		—	—	—	—	—	37,461	37,461
Other comprehensive income		—	—	—	—	—	—	—
Total comprehensive income		—	—	—	—	—	37,461	37,461
Appropriation for surplus reserve	31(b)(ii)	—	—	2,848	—	—	(2,848)	—
Equity settled share-based transactions	29	—	4,623	—	—	—	—	4,623
Balance at April 30, 2018		304,670	1,506,324	40,371	4,961	—	892,732	2,749,058

The accompanying notes form part of the Historical Financial Information.

A FINANCIAL INFORMATION—continued

5. Consolidated cash flow statements

	Note	Years ended December 31,			Four months ended April 30,	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Profit before taxation		242,948	238,650	554,269	50,251	40,752
Adjustments for:						
Depreciation and amortisation	6(c)	80,312	93,786	108,493	37,614	44,929
Loss on disposal of property, plant and equipment	5	5,417	2,577	1,514	(49)	885
Equity-settled share-based payment expenses	6(b)	13,868	13,868	13,868	4,623	6,401
Impairment losses	6(c)	1,501	23,073	78,120	8,093	14,944
Amortisation of government grants	28	(39,448)	(13,170)	(6,709)	(1,709)	(1,618)
Finance costs		98,436	107,084	91,246	25,688	34,820
Gain on disposal of subsidiaries		—	(13,509)	(108,439)	—	—
Share of profits less losses of associates		17,120	69,731	98,321	38,451	26,305
Gains on disposal of associates		—	—	(11,506)	(11,506)	(1)
Gains on disposal of partial interest in associates		—	—	—	—	(7,580)
Gains on loss of significant influence in associates		—	—	(261,494)	(70,557)	(87,343)
Net valuation gain on investment property		—	(13,966)	(53,871)	(40,468)	—
Gains arising from sales of investment property		—	—	(369)	—	—
Changes in working capital:						
(Increase)/decrease in inventories		(207,539)	(151,459)	203,811	(17,903)	(32,848)
(Increase)/decrease in trade and other receivables		(306,060)	(360,882)	(182,317)	56,483	(4,265)
Increase/(decrease) in trade and other payables		135,615	191,181	219,395	(182,889)	(29,750)
Decrease in contract assets		134,788	515,484	187,116	172,028	104,590
Increase/(decrease) in contract liabilities		373,350	224,899	(230,884)	154,310	18,371
Increase in deferred income		10,000	14,007	12,849	2,950	—
Cash generated from operations		560,308	941,354	713,413	225,410	128,592
Income tax paid		(62,824)	(57,866)	(95,117)	(7,401)	(8,003)
Net cash generated from operating activities		497,484	883,488	618,296	218,009	120,589
Investing activities						
Payment for purchase of property, plant and equipment, lease prepayments and intangible assets		(207,987)	(343,390)	(524,934)	(202,081)	(247,388)
Payment for purchase of investment property		(16,645)	—	—	—	—
Payment for purchase of financial assets at fair value through profit or loss		—	(28,000)	(91,049)	(152,721)	(63,185)
Payment for interest in associates		(361,346)	(748,967)	(359,007)	(172,973)	(39,133)
Proceeds from sales of financial assets at fair value through profit or loss		—	—	28,000	—	—
Proceeds from disposal of property, plant and equipment		5,086	11,421	1,905	—	—
Proceeds from sales of interest in associates		—	—	5,004	5,004	15,000
Proceeds from sales of investments in subsidiaries		—	—	144,892	—	46,600
Proceeds from other investing activities		4,391	3,685	9,629	1,697	1,177
Net cash used in investing activities		(576,501)	(1,105,251)	(785,560)	(521,074)	(286,929)
Financing activities						
Proceeds from loans and borrowings	23(b)	1,938,677	2,081,250	1,622,275	547,000	622,053
Repayment of loans and borrowings	23(b)	(1,500,098)	(1,946,301)	(1,434,019)	(612,779)	(416,059)
Interest paid	23(b)	(98,233)	(109,938)	(95,789)	(24,602)	(32,538)
Payment for finance lease arrangement	23(b)	(122,533)	(68,595)	—	—	—
Payment for dividends		—	—	(304,670)	—	—
Capital injection		—	661,500	—	—	—
Capital element of lease rentals paid		—	—	—	—	(8,628)
Interest element of lease rentals paid		—	—	—	—	(37)
Net cash generated from/(used in) financing activities		217,813	617,916	(212,203)	(90,381)	164,791
Net increase/(decrease) in cash and cash equivalents		138,796	396,153	(379,467)	(393,446)	(1,549)
Cash and cash equivalents at the beginning of year/period		140,993	279,789	675,942	675,942	296,475
Cash and cash equivalents at the end of year/period	23	279,789	675,942	296,475	282,496	294,926

The accompanying notes form part of the Historical Financial Information.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 Basis of preparation and presentation of Historical Financial Information

Changsha Broad Homes Industrial Group Co., Ltd. 長沙遠大住宅工業集團有限公司 ("the Company") was established as a limited liability company with a registered capital of RMB255,000,000 by Mr. Zhang Jian and Mrs. Liu Hui in Changsha, Hunan Province, People's Republic of China (the "PRC") on April 30, 2006. On July 12, 2013, the registered capital of the Company increased to RMB285,770,000 as a result of the introduction of new investors. On December 10, 2015, it was converted into a joint stock company with limited liability and the Company name was changed to Changsha Broad Homes Industrial Group Co., Ltd. 長沙遠大住宅工業集團有限公司. On December 27, 2017, the registered capital of the Company further increased to RMB304,670,000 from the new investors. On March 31, 2019, the registered capital of the Company further increased to RMB365,604,000 as a result of conversion of capital reserve to share capital.

The Company and its subsidiaries (together, "the Group") are principally engaged in the industrialisation of construction industry in the PRC, including prefabricated concrete unit manufacturing ("PC Unit Manufacturing") and prefabricated concrete equipment manufacturing ("PC Equipment Manufacturing"). The Group is also engaged in construction contract.

The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated and/or established.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 Basis of preparation and presentation of Historical Financial Information—continued

As at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interests		Principal activities	Name of statutory auditor		
			Held by the Company	Held by the subsidiary		2016	2017	2018
Hunan Broad Engineering Design Co., Ltd. (湖南遠大工程設計有限公司) (i)(iii)(vi)	September 21, 1994 the PRC	RMB10,000,000/ RMB3,000,000	100%	—	Engineering design and consulting service	(ii)	(ii)	(vi)
Hunan Broad Construction & Industrial Co., Ltd. (湖南遠大建工股份有限公司) (i)(iii)	October 13, 1999 the PRC	RMB200,000,000/ RMB200,000,000	98%	2%	Construction contract	(ii)	(ii)	(ii)
Ningxiang Broad Homes Industrial Co., Ltd. (寧鄉遠大住宅工業有限公司) (i)(iii)	4 February 2010 the PRC	RMB60,000,000/ RMB60,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)
Xiangtan Broad Homes Industrial Co., Ltd. (湘潭遠大住宅工業有限公司) (i)(iii)	June 11, 2010 the PRC	RMB60,000,000/ RMB60,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)
Yueyang Broad Homes Industrial Co., Ltd. (岳陽遠大住宅工業有限公司) (i)(iii)	February 21, 2012 the PRC	RMB30,000,000/ RMB30,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)
Changsha Broad Homes Industrial Anhui Co., Ltd. (長沙遠大住宅工業安徽有限公司) (i)(iii)	November 5, 2012 the PRC	RMB30,000,000/ RMB30,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)
Changsha Broad Homes Industrial (Jiangsu) Co., Ltd. (長沙遠大住宅工業(江蘇)有限公司) (i)(iii)	November 29, 2012 the PRC	RMB30,000,000/ RMB30,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)
Broad Homes Industrial (Tianjin) Co., Ltd. (遠大住宅工業(天津)有限公司) (i)(iii)	October 28, 2013 the PRC	RMB100,000,000/ RMB100,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 Basis of preparation and presentation of Historical Financial Information—continued

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interests		Principal activities	Name of statutory auditor		
			Held by the Company	Held by the subsidiary		2016	2017	2018
Broad Homes Industrial (Hangzhou) Co., Ltd. (遠大住宅工業(杭州)有限公司) (i)(iii)	November 4, 2013 the PRC	RMB100,000,000/ RMB100,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)
Broad Homes Industrial (Shanghai) Co., Ltd. (遠大住宅工業 (上海) 有限公司) (i)(iii)	December 13, 2013 the PRC	RMB100,000,000/ RMB100,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)
Hunan Broad Construction Industrial Technology Labor Services Co., Ltd. (湖南遠大建工技術勞務有限公司) (i)(iii)(v)(vi)	February 17, 2014 the PRC	RMB10,000,000/ RMB10,000,000	—	100%	Subcontracting construction services	(ii)	(v)	(vi)
Chenzhou Broad Homes Industrial Co., Ltd.(郴州遠大住宅工業有限公司) (i)(iii)	July 2, 2014 the PRC	RMB30,000,000/ RMB30,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)
Changsha Broad Bathroom Co., Ltd.(長沙遠大整體浴室有限公司) (i)(iii)(vi)	July 17, 2014 the PRC	RMB10,000,000/ RMB10,000,000	100%	—	Manufacture of bathroom	(ii)	(ii)	(vi)
Guangzhou Broad Homes Industrial Co., Ltd. (廣州遠大住宅工業有限公司) (i)(iii)	February 17, 2016 the PRC	RMB30,000,000/ RMB30,000,000	100%	—	Cement product, PC unit and other construction materials manufacturing	(ii)	(ii)	(ii)
Changsha Broad Homes Industrial Fuyang Co., Ltd. (長沙遠大住宅工業阜陽有限公司) (i)(iii)	May 6, 2016 the PRC	RMB30,000,000/ RMB30,000,000	100%	—	PC unit manufacturing	(ii)	(ii)	(ii)
Lu An Broad Homes Industrial Co., Ltd. (六安遠大住宅工業有限公司) (i)(iii)(iv)	December 26, 2016 the PRC	RMB30,000,000/ RMB30,000,000	100%	—	PC unit manufacturing	(iv)	(ii)	(ii)

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 Basis of preparation and presentation of Historical Financial Information—continued

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interests		Principal activities	Name of statutory auditor		
			Held by the Company	Held by the subsidiary		2016	2017	2018
Changsha Broad Homes Intelligent Technology Co., Ltd. (長沙遠大住工智能科技有限公司) (i)(iii)	July 16, 2018 the PRC	RMB30,000,000/ RMB7,000,000	100%	—	Research, development and transfer of intelligent technology	N/A	N/A	(ii)
Beijing Parallel System Information Technology Co., Ltd. (平行系統 (北京) 信息技術有限公司) (i)	August 8, 2018 the PRC	RMB30,000,000/ RMB4,370,000	100%	—	Technological promotion services	N/A	N/A	(ii)
Broad Homes Industrial (Nanjing) Co., Ltd. (遠大住宅工業(南京)有限公司) (i)(vi)	September 25, 2018 the PRC	RMB50,000,000/ —	100%	—	PC unit manufacturing	N/A	N/A	(vi)
Hefei Broad Homes Industrial Co., Ltd. (合肥遠大住宅工業有限公司) (i)(vi)	September 28, 2018 the PRC	RMB30,000,000/ —	100%	—	PC unit manufacturing	N/A	N/A	(vi)
Maanshan Broad Homes Industrial Co., Ltd. (馬鞍山遠大住宅工業有限公司) (i)(vi)	September 29, 2018 the PRC	RMB30,000,000/ —	—	100%	PC unit manufacturing	N/A	N/A	(vi)
Wuhan Broad Homes Industrial Co., Ltd. (武漢遠大住宅工業有限公司) (i)	January 11, 2019 the PRC	RMB100,000,000/ RMB33,890,597	100%	—	PC unit manufacturing	N/A	N/A	N/A
Shenzhen Broad Homes Industrial Co., Ltd. (深圳遠大住宅工業有限公司) (i)	March 4, 2019 the PRC	RMB30,000,000/ RMB2,160,000	100%	—	PC unit manufacturing	N/A	N/A	N/A
Huizhou Broad Homes Industrial Co., Ltd. (惠州遠大住宅工業有限公司) (i)	April 16, 2019 the PRC	RMB30,000,000/ RMB2,300,000	—	100%	PC unit manufacturing	N/A	N/A	N/A
Changsha Broad Homes Modules Technology Co., Ltd. (長沙遠大模塊科技有限公司) (i)	January 25, 2019 the PRC	RMB10,000,000/ RMB5,000,000	100%	—	Technological promotion services	N/A	N/A	N/A

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 Basis of preparation and presentation of Historical Financial Information—continued

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interests		Principal activities	Name of statutory auditor		
			Held by the Company	Held by the subsidiary		2016	2017	2018
Hunan Broad Homes Intelligent Equipment Co., Ltd (湖南遠大住工智能裝備有限公司) (i)	May 5, 2019 the PRC	RMB30,000,000/ —	100%	—	Manufacturing and sales of intelligent equipment	N/A	N/A	N/A
Changsha Parallel Digital Technology Co., Ltd (長沙平行數字科技有限公司) (i)	June 14, 2019 the PRC	RMB100,000,000/ —	100%	—	Digital services and information technology consultation services	N/A	N/A	N/A

Notes:

(i) The English translation of the Company names is for reference only. The official names of these companies are in Chinese. These companies were all limited liability companies under the law of the PRC.

(ii) Name of the statutory auditors is: Pan-China Certified Public Accountants LLP ("天健會計師事務所 (特殊普通合夥)").

(iii) The statutory financial statements of these companies for the years ended December 31, 2016, 2017 and 2018 were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC.

(iv) No statutory financial statements have been prepared for this company for the year ended December 31, 2016 as it has not carried on any business since the date of incorporation.

(v) No statutory financial statements have been prepared for this company for the year ended December 31, 2017 as it has not carried on any business in 2017.

(vi) No statutory financial statements have been prepared for this company for the year ended December 31, 2018 as it has not carried on any business in 2018.

(vii) During the years of 2017 and 2018, the Company lost control in one and three of its subsidiaries, respectively, due to sales of its investment to third-parties or dilution of interest as a result of capital injection by the other investors. Gain of RMB13,509 thousand and RMB108,439 thousand has been recognized in 2017 and 2018 as a result of the disposal.

All companies comprising the Group have adopted December 31, as their financial year end date.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1 Basis of preparation and presentation of Historical Financial Information—continued

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs to the Relevant Periods except for any new standards or interpretations that are not yet effective for the accounting period beginning January 1, 2019. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning January 1, 2019 are set out in note 35.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Historical Financial Information has been prepared on the going concern basis. As at April 30, 2019, the Group's current liabilities exceeded its current assets by RMB419,246 thousand and the Company's current liabilities exceeded its current assets by RMB149,036 thousand. Notwithstanding the above, the Historical Financial Information has been prepared on a going concern basis as the directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the twelve months ending April 30, 2020, the Group and the Company will have sufficient working capital to maintain the Group and the Company as a going concern until at least April 30, 2020. Accordingly, it is appropriate to prepare the Historical Financial Information on a going concern basis.

For the purpose of preparing and presenting the Historical Financial Information for the Relevant Periods, the Company has consistently applied IFRSs, which are effective for the accounting year beginning on January 1, 2019 throughout the Relevant Periods except that the Company adopted IFRS 16 *"Leases"* on January 1, 2019. The accounting policies for leased assets under IFRS 16 are set out in note 2(j) below.

The Stub Period Corresponding Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 Significant accounting policies

(a) Basis of measurement

The Historical Financial Information is prepared on historical cost basis except for financial assets at fair value through profit or loss which is measured at fair value (see note 2(f)).

The Historical Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, unless otherwise indicated. Each entity in the Group determines its own functional currency to be the currency of the primary economic environment in which it operates. The functional currency of the Company and the Company's subsidiaries is RMB.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(b) Use of estimates and judgments

The preparation of Historical Financial Information in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the Historical Financial Information from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Historical Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(c) Subsidiaries and non-controlling interests—continued

financial liabilities in the consolidated statement of financial position in accordance with notes 2(r) or (s) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see note 2(e)).

In the Company's statements of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(m)(ii), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Changes in accounting policies

The IASB has issued a new IFRS, IFRS 16, *Leases*, and a number of amendments to IFRSs that are first effective for accounting periods beginning on January 1, 2019.

Except for IFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

IFRS 16 replaces IAS 17, *Leases*, and the related interpretations, IFRIC 4, *Determining whether an arrangement contains a lease*, SIC 15, *Operating leases—incentives*, and SIC 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from IAS 17 substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from January 1, 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at January 1, 2019. Comparative information has not been restated and continues to be reported under IAS 17.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(d) Changes in accounting policies—continued

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after January 1, 2019. For contracts entered into before January 1, 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment and land use right. For an explanation of how the Group applies lessee accounting, see note 2(j)(i).

At the date of transition to IFRS 16 (i.e. January 1, 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at January 1, 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 5.0%~5.5%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before December 31, 2019;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(d) Changes in accounting policies—continued

b. Lessee accounting and transitional impact—continued

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at December 31, 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 33(b) as at December 31, 2018 to the opening balance for lease liabilities recognised as at January 1, 2019.

	January 1, 2019
	RMB'000
Operating lease commitments at December 31, 2018	69,029
Less: commitments relating to leases exempt from capitalisation:	
—Short-term lease and other leases with remaining lease term ending on or before December 31, 2019	(13,459)
Less: total future interest expenses	(3,795)
Present value of remaining lease payments, discounted using the incremental borrowing rate at January 1, 2019	51,775
Total lease liabilities recognised at January 1, 2019	51,775

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at December 31, 2018.

So far as the impact of the adoption of IFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of IFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(d) Changes in accounting policies—continued

b. Lessee accounting and transitional impact—continued

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at December 31, 2018	Capitalisation of operating lease	Reclassification of lease prepayments	Carrying amount at January 1, 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:				
Right-of-use assets	—	53,763	280,325	334,088
Lease prepayments	280,325	—	(280,325)	—
Total non-current assets	**3,473,386**	**53,763**	—	**3,527,149**
Trade and other receivables	2,062,994	(1,988)	—	2,061,006
Total current assets	**3,852,499**	**(1,988)**	—	**3,850,511**
Lease liabilities (current)	—	20,965	—	20,965
Current liabilities	**3,988,279**	**20,965**	—	**4,009,244**
Net current liabilities	**(135,780)**	**(22,953)**	—	**(158,733)**
Total assets less current liabilities	**3,337,606**	**30,810**	—	**3,368,416**
Lease liabilities (non-current)	—	30,810	—	30,810
Total non-current liabilities	**454,883**	**30,810**	—	**485,693**
Net assets	**2,882,723**	**—**	—	**2,882,723**

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at January 1, 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of comprehensive income, as compared to the results if IAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 23(b)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 23(c)).

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the four months ended April 30, 2019, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(d) Changes in accounting policies—continued

c. Impact on the financial result, segment results and cash flows of the Group—continued

standard had continued to apply in 2019 instead of IFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under IAS 17.

	Four months ended April 30, 2019				Four months ended April 30, 2018
	Amounts reported under IFRS 16 (A)	Add back: IFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating lease as if under IAS 17 (note 1) (C)	Hypothetical amounts for the four months ended April 30, 2019 as if under IAS 17 (D=A+B-C)	Compared to amounts reported for the four months ended April 30, 2018 as if under IAS 17
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial result for four months ended April 30, 2019 impacted by the adoption of IFRS 16:					
Profit from operations	**6,231**	**7,959**	**(8,247)**	**5,943**	**31,497**
Finance costs	(34,098)	656	—	(33,442)	(24,858)
Profit before taxation	**40,752**	**8,615**	**(8,247)**	**41,120**	**50,251**
Profit for the year	**35,217**	**8,615**	**(8,247)**	**35,585**	**37,461**
Reportable segment profit for four months ended April 30, 2019 (note 3(b)) impacted by the adoption of IFRS 16:					
—PC Unit Manufacturing	**(36,113)**	**8,615**	**(8,247)**	**(35,745)**	**3,277**
—Total	**13,582**	**8,615**	**(8,247)**	**13,950**	**37,247**

	Four months ended April 30, 2019			Four months ended April 30, 2018
	Amounts reported under IFRS 16 (A)	Estimated amounts related to operating leases as if under IAS 17 (notes 1 & 2) (B)	Hypothetical amounts for the four months ended April 30, 2019 as if under IAS 17 (C=A+B)	Compared to amounts reported for the four months ended April 30, 2018 as if under IAS 17
	RMB'000	RMB'000	RMB'000	RMB'000
Line items in the consolidated cash flow statement for four months ended April 30, 2019 impacted by the adoption of IFRS 16:				
Cash generated from operations	128,592	(8,665)	119,927	225,536
Net cash generated from operating activities	**120,589**	**(8,665)**	**111,924**	**218,135**
Capital element of lease rentals paid	(8,628)	8,628	—	—
Interest element of lease rentals	(37)	37	—	—
Net cash generated from/(used in) financing activities	**133,951**	**8,665**	**142,616**	**(90,381)**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(d) Changes in accounting policies—continued

c. Impact on the financial result, segment results and cash flows of the Group—continued

entered into in 2019 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if IAS 17 still applied.

d. Leasehold investment property

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at December 31, 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

e. Lessor accounting

In addition to leasing out the investment property referred to in paragraph d. above, the Group does not lease out any other assets as the lessor of operating leases.

Under IFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of IFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(e) Associates and joint ventures

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the Historical Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(e) Associates and joint ventures—continued

Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(m)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the ECL model to such other long-term interests where applicable (see note 2(m)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)).

In the Company's statements of financial position, investments in associates and joint venture are accounted for under the equity method, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(f) Other investments in debt and equity securities—continued

the Group determines fair value of financial instruments, see note 33(e). These investments are subsequently accounted for as follows, depending on their classification.

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortized cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(w)(v)).

– fair value through other comprehensive income (FVOCI)—recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortized cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(w)(iv).

(g) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(h) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(l)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss.

During the years ended December 31, 2016, 2017 and 2018, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (see note 2(l)), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 2(l).

(i) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(m)). The cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Subsequent expenditure relating to an item of property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the original assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in profit or loss in the period in which it is incurred.

Construction in progress represents buildings and various machinery, plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 2(m)). Cost comprises direct costs of construction as well as interest charges during the periods of construction.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use. No depreciation is provided in respect of construction in progress.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(i) Property, plant and equipment—continued

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Plant and buildings	20 - 25 years
Machinery equipment	10 - 12 years
Electronic equipment	3 - 5 years
Motor vehicles	4 - 8 years
Office furniture	3 - 5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Leased Assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Policy applicable from January 1, 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(j) Leased Assets—continued

(i) As a lessee—continued

Policy applicable from January 1, 2019—continued

commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(m)(ii)), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2(h).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

Policy applicable before January 1, 2019

During the years ended December 31, 2016, 2017 and 2018, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note 2(j)); and

– land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(j) Leased Assets—continued

(i) As a lessee—continued

Policy applicable before January 1, 2019—continued

which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 2(i). Impairment losses were accounted for in accordance with the accounting policy as set out in note 2(m). Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(w)(iii).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(j)(i), then the Group classifies the sub-lease as an operating lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(j) Leased Assets—continued

(ii) As a lessor—continued

The accounting policies applicable to the Group as a lessor in the years ended December 31, 2016, 2017 and 2018 were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

(k) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the costs of materials, direct labor, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(y)). Capitalized development costs are stated at cost less accumulated amortization and impairment losses (see note 2(m)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 2(m)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Software	5 years
Capitalized development costs	10 years

Both the period and method of amortization are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortization of intangible assets with finite lives as set out above.

(l) Lease prepayments

Lease prepayments represent cost paid to the relevant government authorities for land use rights. Land use rights are carried at cost less the accumulated amount charged to expense and impairment losses (see note 2(m)). The cost of lease prepayments is charged to profit or loss on a straight-line basis over the respective periods of the rights, which range from 40 to 50 years.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(m) Credit losses and impairment of assets

(i) Credit losses from financial assets measured at amortised cost and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and restricted and pledged deposits) and contract assets as defined in IFRS 15 (see note 2(o)).

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(m) Credit losses and impairment of assets—continued

(i) Credit losses from financial assets measured at amortised cost and contract assets—continued

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with note 2(w)(v) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(m) Credit losses and impairment of assets—continued

(i) Credit losses from financial assets measured at amortised cost and contract assets—continued

Basis of calculation of interest income—continued

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganization;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired:

– Investment property;

– Property, plant and equipment;

– Intangible assets;

– Lease prepayments;

– Right-of-use assets; and

– Investments in subsidiaries, associates in the Company's statements of financial position.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(m) Credit losses and impairment of assets—continued

(ii) Impairment of other non-current assets—continued

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(n) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(n) Inventories—continued

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(o) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2(w)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(m)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2(p)).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2(w)). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(p)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(w)(v)).

(p) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2(o)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(m)(i)).

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(m)(i).

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(y)).

(t) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of the selected current employee services received in exchange for the grant of the restricted shares is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the granted shares measured as of the grant date, and recorded in the capital reserve until each unlocking date and record it under reserves attributable to equity shareholders of the Company. The proceeds received from the employees is firstly recorded as other payables.

During the vesting period, the number of restricted share that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of restricted share that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the restricted share is released (when it is included in the amount recognised in share capital for the shares issued) or the restricted share is forfeited or canceled (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilized.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(u) Income tax—continued

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Provisions and contingent liabilities

(i) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(ii) Onerous contracts

An onerous contract exists when the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Provisions for onerous contracts are measured at the present value of the lower of the expected cost of terminating the contract and the net cost of continuing with the contract.

(w) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(w) Revenue and other income—continued

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of PC units and PC equipments

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfillment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(ii) Construction contracts

A contract with a customer is classified by the Group as a construction contract when the contract relates to work on real estate assets under the control of the customer and therefore the Group's construction activities create or enhance an asset under the customer's control.

When the outcome of a construction contract can be reasonably measured, revenue from the contract is recognised progressively over time using the output method, i.e. based on the completion of a physical proportion of the contract work.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in note 2(v)(ii).

(iii) Rental income from operating lease

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(w) Revenue and other income—continued

(iv) Dividends

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(v) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(m)(i)).

(vi) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of being recognised in other revenues.

(x) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(x) Translation of foreign currencies—continued

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2 Significant accounting policies—continued

(z) Related parties—continued

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(aa) Segment reporting

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting judgment and estimates

(a) Critical accounting judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgments:

(i) Useful life of property, plant and equipment

Management determines the estimated useful lives of and related depreciation charges for its property, plant and equipment. This estimate is based on the actual useful lives of assets of similar nature and functions. It could change significantly as a result of significant technical innovations and competitor actions in response to industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amounts of the assets, using tax rates enacted or substantively enacted at the end of the reporting period. In determining the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in the future years.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3 Accounting judgment and estimates—continued

(b) Sources of estimation uncertainty

Notes 11, 29 and 33 contain information about the assumptions and their risk factors relating to valuation of investment property and fair value of equity settled share-based payment. Other key sources of estimation uncertainty are as follows:

(i) Revenue recognition

As explained in policy note 2(w), revenue from construction contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date. Based on the Group's recent experience and the nature of the construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. Until this point is reached the related contract assets disclosed in note 20 do not include profit which the Group might eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(ii) Net realisable value of inventories

As described in note 2(n), net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions.

Management reassesses these estimations at the end of each reporting period to ensure inventory is shown at the lower of cost and net realisable value.

4 Revenue and segment reporting

(a) Revenue

The principal activities of the Group are the design, manufacturing and sale of PC units and PC equipments and carrying out construction activities for others. Further details regarding the Group's principal activities are disclosed in note 4(b).

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Revenue and segment reporting—continued

(a) Revenue—continued

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue from contracts with customers within the scope of IFRS 15					
Disaggregated by major products or service lines					
—Sales of PC units	433,289	875,031	830,257	127,849	345,234
—Sales of PC equipments	330,411	836,196	1,226,268	196,818	218,429
—Revenue from construction contracts	899,197	208,334	188,527	25,973	76,929
—Others	8,598	16,128	24,077	4,668	5,417
	1,671,495	1,935,689	2,269,129	355,308	646,009

The Group's customer base is diversified and includes one, three and two customers with whom transactions have exceeded 10% of the Group's revenues for the year ended December 31, 2016, the four months ended April 30, 2018 and the four months ended April 30, 2019. Revenue from construction work to this customer amounted to approximately RMB 167,680 thousand for the year ended December 31, 2016. Revenue from sales of PC equipments to these customers amounted to approximately RMB 170,337 thousand for the four months ended April 30, 2018. Revenue from sales of PC equipments to these customers amounted to approximately RMB 178,125 thousand for the four months ended April 30, 2019. There is no customer with whom transactions have exceeded 10% of the Group's revenues for the year ended December 31, 2017 and 2018. Details of concentrations of credit risk arising from these customers are set out in note 33(a).

(ii) The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations that are unsatisfied under the Group's existing contracts is RMB 429,087 thousand, RMB 260,218 thousand, RMB 81,732 thousand and RMB 105,728 thousand. This amount represents revenue expected to be recognised in the future from construction contracts entered into by the customers with the Group.

The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 12 to 24 months.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Revenue and segment reporting—continued

(b) Segment reporting

The Group manages its businesses by divisions, which are organized by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- PC Unit Manufacturing: this segment primarily derive its revenue from the design, manufacturing and sale of PC units.
- PC Equipment Manufacturing: this segment primarily derive its revenue from the manufacturing and sale of PC equipments which producing PC units and the licensing of using the Group's patents and brands.
- Construction contracts: this segment primarily derive its revenue from construction activities.

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following basis:

The measure used for reporting segment profit is "EBIT" i.e. earnings before interest and taxes.

A measurement of segment assets and liabilities is not provided regularly to the Group's most senior executive management and accordingly, no segment assets or liabilities information is presented.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Revenue and segment reporting—continued

(b) Segment reporting—continued

(i) Segment results, assets and liabilities—continued

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019 is set out below:

	Year ended December 31, 2016			
	PC Unit Manufacturing	PC Equipment Manufacturing	Construction contracts	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition				
Point in time	441,887	330,411	—	772,298
Over time	—	—	899,197	899,197
Revenue from external customers	441,887	330,411	899,197	1,671,495
Inter-segment revenue	—	—	292,238	292,238
Reportable segment revenue	441,887	330,411	1,191,435	1,963,733
Reportable segment profit	82,975	119,520	148,244	350,739
Interest income	2,365	—	2,027	4,392
Finance cost	(43,205)	—	(16,509)	(59,714)
Depreciation and amortisation for the year	(52,701)	(305)	(27,305)	(80,311)
Reportable segment assets	1,909,896	641,859	2,963,743	5,515,498
Capital expenditure	198,443	9,809	16,380	224,632
Reportable segment liabilities	126,262	771,675	1,774,911	2,672,848

	Year ended December 31, 2017			
	PC Unit Manufacturing	PC Equipment Manufacturing	Construction contracts	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition				
Point in time	891,159	836,196	—	1,727,355
Over time	—	—	208,334	208,334
Revenue from external customers	891,159	836,196	208,334	1,935,689
Inter-segment revenue	—	—	297,058	297,058
Reportable segment revenue	891,159	836,196	505,392	2,232,747
Reportable segment profit	103,918	292,707	2,899	399,524
Interest income	1,861	—	1,823	3,684
Finance cost	(74,574)	—	(6,492)	(81,066)
Depreciation and amortisation for the year	(87,717)	(1,874)	(4,197)	(93,788)
Reportable segment assets	3,019,918	861,920	2,456,841	6,338,679
Capital expenditure	318,443	11,034	13,913	343,390
Reportable segment liabilities	435,124	1,548,460	1,158,360	3,141,944

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Revenue and segment reporting—continued

(b) Segment reporting—continued

(i) Segment results, assets and liabilities—continued

	Year ended December 31, 2018			
	PC Unit Manufacturing	PC Equipment Manufacturing	Construction contracts	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition				
Point in time	854,334	1,226,268	—	2,080,602
Over time	—	—	188,527	188,527
Revenue from external customers	854,334	1,226,268	188,527	2,269,129
Inter-segment revenue	—	—	178,627	178,627
Reportable segment revenue	854,334	1,226,268	367,154	2,447,756
Reportable segment profit	129,662	348,812	7,061	485,535
Interest income	4,831	—	436	5,267
Finance cost	(73,705)	(1,431)	(2,543)	(77,679)
Depreciation and amortisation for the year	(99,457)	(2,935)	(4,693)	(107,085)
Reportable segment assets	3,499,593	730,034	2,122,962	6,352,589
Capital expenditure	439,831	77,829	5,626	523,286
Reportable segment liabilities	1,440,499	1,059,971	639,273	3,139,743

	Four months ended April 30, 2018			
	PC Unit Manufacturing	PC Equipment Manufacturing	Construction contracts	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition				
Point in time	132,517	196,818	—	329,335
Over time	—	—	25,973	25,973
Revenue from external customers	132,517	196,818	25,973	355,308
Inter-segment revenue	—	—	94,861	94,861
Reportable segment revenue	132,517	196,818	120,834	450,169
Reportable segment profit	3,277	40,491	(6,521)	37,247
Interest income	898	—	799	1,697
Finance cost	(17,596)	—	(8,959)	(26,555)
Depreciation and amortisation for the period	(35,578)	(725)	(1,311)	(37,614)
Reportable segment assets	2,942,579	897,798	2,343,084	6,183,461
Capital expenditure	170,965	27,113	2,162	200,240
Reportable segment liabilities	399,484	1,532,737	1,067,917	3,000,138

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Revenue and segment reporting—continued

(b) Segment reporting—continued

(i) Segment results, assets and liabilities—continued

	Four months ended April 30, 2019			
	PC Unit Manufacturing	PC Equipment Manufacturing	Construction contracts	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition				
Point in time	350,651	218,429	—	569,080
Over time	—	—	76,929	76,929
Revenue from external customers	350,651	218,429	76,929	646,009
Inter-segment revenue	—	—	76,279	76,279
Reportable segment revenue	350,651	218,429	153,208	722,288
Reportable segment profit	(36,113)	20,234	29,461	13,582
Interest income	224	—	953	1,177
Finance cost	(30,794)	—	(4,481)	(35,275)
Depreciation and amortisation for the period	(43,113)	(993)	(823)	(44,929)
Reportable segment assets	3,682,678	730,351	2,133,641	6,546,670
Capital expenditure	200,740	15,789	19	216,548
Reportable segment liabilities	1,554,048	1,046,794	547,048	3,147,890

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue					
Reportable segment revenue	1,963,733	2,232,747	2,447,756	450,169	722,288
Elimination of inter-segment revenue	(292,238)	(297,058)	(178,627)	(94,861)	(76,279)
Consolidated revenue	1,671,495	1,935,689	2,269,129	355,308	646,009
Profit					
Reportable segment profit	350,739	399,524	485,535	37,247	13,582
Elimination of inter-segment profits	—	—	—	—	—
Interest income	4,392	3,684	5,267	1,697	1,177
Finance cost	(59,714)	(81,066)	(77,679)	(26,555)	(35,275)
Unallocated head office and corporate expenses	(35,349)	(27,270)	(33,533)	(5,750)	(7,351)
Share of profits less losses of associates	(17,120)	(69,731)	(98,321)	(38,451)	(26,305)
Gains on disposal of associates	—	13,509	11,506	11,506	1
Gains on loss of significant influence in associates	—	—	261,494	70,557	87,343
Gains on disposal of partial interest in associates	—	—	—	—	7,580
Consolidated profit before taxation	242,948	238,650	554,269	50,251	40,752

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4 Revenue and segment reporting—continued

(b) Segment reporting—continued

(i) Segment results, assets and liabilities—continued

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Reportable segment assets	5,515,498	6,338,679	6,352,589	6,546,670
Elimination of inter-segment assets	(154,409)	(400,353)	(523,869)	(547,545)
Interest in associates	436,042	1,005,065	663,808	547,080
Financial assets at fair value through profit or loss	—	28,000	833,357	1,060,292
Consolidated total assets	5,797,131	6,971,391	7,325,885	7,606,497
Liabilities				
Reportable segment liabilities	2,672,848	3,141,944	3,139,743	3,147,890
Elimination of inter-segment liabilities	(154,409)	(400,353)	(523,869)	(547,545)
Current loans	1,049,000	1,121,689	1,429,400	1,678,453
Non-current loans	366,477	401,137	397,888	403,358
Consolidated total liabilities	3,933,916	4,264,417	4,443,162	4,682,156

(ii) Geographic information

The geographical location of revenue is based on the selling location. All of the Group's revenue from external customers is from the PRC. The geographical location of the non-current assets is based on the physical location of the assets. All of the non-current assets which are commonly used by the Group are physically located in the PRC.

5 Other income

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Government grants (note)	56,723	56,094	34,184	15,685	11,036
Loss on disposal of property, plant and equipment	(5,417)	(2,577)	(1,514)	(77)	(1,006)
Others	(481)	(448)	(626)	(104)	1,594
	50,825	53,069	32,044	15,504	11,624

Note: Government grants mainly represent operating subsidies and amortisation of government grants for development and construction of property, plant and equipment (note 28). There were no unfulfilled conditions and other contingencies attached to these grants.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest on bank loans and other borrowings (note 24(b))	43,990	66,077	72,030	26,064	34,317
Interest on discounted bills	8,700	13,578	5,649	491	302
Finance charges on obligations under finance leases	7,023	1,412	—	—	—
Interest on lease liabilities	—	—	—	—	656
Interest income	(4,391)	(3,685)	(5,267)	(1,697)	(1,177)
	55,322	**77,382**	**72,412**	**24,858**	**34,098**

(b) Staff costs:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages, bonuses and other benefits	220,758	326,501	409,068	107,159	144,494
Equity-settled share-based payment expenses (note 29)	13,868	13,868	13,868	4,623	6,401
Contributions to defined contribution retirement plan	13,875	17,583	20,673	7,040	8,024
	248,501	357,952	443,609	118,822	158,919

Staff costs includes remuneration of directors and senior management (note 8 and note 9).

Pursuant to the relevant labor rules and regulations in the PRC, the Company and its subsidiaries in the PRC participate in defined contribution retirement benefit schemes (the "Schemes") organized by the local government authorities whereby the Company and its subsidiaries in the PRC are required to make contributions to the Schemes based on certain percentages of the eligible employee's salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

The Group has no other obligations for payments of retirement and other post-retirement benefits of employees other than the contributions described above.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

6 Profit before taxation—continued

(c) Other items:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Amortization					
—lease prepayments (note 13)	8,808	8,812	8,491	2,863	—
—intangible assets (note 14)	5,089	11,939	12,429	5,280	3,480
Depreciation					
—property, plant and equipment (note 12)	66,415	73,035	94,136	30,577	37,663
—right-of-use assets*	—	—	—	—	7,959
Impairment losses					
—trade and other receivables and contract assets (note 33(a))	1,501	23,073	78,120	8,093	14,944
Total minimum lease payments for leases previously classified as operating leases under IAS 17*	29,093	32,600	33,816	8,946	—
Auditors' remuneration					
—audit services	900	1,100	1,085	—	180
Cost of inventories	445,705	770,731	995,813	146,137	297,223

* The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at January 1, 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. After initial recognition of right-of-use assets at January 1, 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2(d).

7 Income tax in the consolidated statements of profit or loss

(a) Taxation in the consolidated statements of profit or loss represents:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Current tax—PRC income tax	45,924	71,834	82,022	6,779	7,807
Deferred tax	(622)	(1,575)	5,943	6,011	(2,272)
	45,302	70,259	87,965	12,790	5,535

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

7 Income tax in the consolidated statements of profit or loss—continued

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Profit before taxation	242,948	238,650	554,269	50,251	40,752
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned (note (i))	60,737	59,663	138,567	12,563	10,188
Tax effect of non-deductible expenses	20,886	10,422	19,208	714	1,380
Share of profits less losses of associates	4,280	17,432	24,580	9,613	6,576
Impact on loss of significant influence in associates	—	—	(30,890)	(9,416)	(11,929)
Temporary differences for which no deferred tax assets was recognised	11,375	55,284	19,283	17,204	12,980
Tax effect of non-taxable income	(18,805)	(15,015)	(8,877)	(3,130)	(7,424)
Tax effect of tax concessions (note (ii))	(25,985)	(48,266)	(46,813)	(6,828)	1,849
Additional deduction for qualified research and development expenses (note (iii))	(7,186)	(9,261)	(27,093)	(7,930)	(8,085)
Actual income tax expense	45,302	70,259	87,965	12,790	5,535

Note (i) Effective from January 1, 2008, under the PRC Corporate Income Tax Law, the PRC's statutory income tax rate is 25%. The Group's subsidiaries in the PRC are subject to PRC income tax at 25% unless otherwise specified.

Note (ii) According to the income tax law and its relevant regulations, entities that qualified as high-technology enterprises under the tax law are entitled to a preferential income tax rate of 15%. The Company and certain of its subsidiaries obtained or renewed its status as high-technology enterprises from 2014 to 2018 and accordingly are subject to income tax at 15% for the years from 2016 to 2021.

The 15% preferential tax rate applicable to high-technology enterprises is subject to renewal approval jointly by the relevant authorities, upon expiry of the three-year grant period, according to the then prevailing income tax regulations. The Company and certain of its subsidiaries have begun the renewal approval process. It is probable that they are qualified as high-technology enterprises. Management therefore believes 15% represents the best estimate of the annual tax rate of these entities for the year ending December 31, 2019.

Note (iii) Under the income tax law and its relevant regulations, a 75% additional tax deduction is allowed for qualified research and development expenditure from January 1, 2018 to December 31, 2020 (2016 and 2017: 50%).

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8 Directors' emoluments

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

	Directors' fee	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to retirement scheme	Share incentive scheme (note 29)	2016 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman						
Zhang Jian	—	360	—	11	—	371
Directors						
Tang Fen	—	245	300	13	2,632	3,190
Shi Donghong	—	247	250	16	2,632	3,145
Zhang Kexiang	—	240	100	9	526	875
Tan Xinming	—	187	100	16	1,053	1,356
Huang Yumin	—	—	—	—	—	—
	—	1,279	750	65	6,843	8,937

	Directors' fee	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to retirement scheme	Share incentive scheme (note 29)	2017 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman						
Zhang Jian	—	600	—	11	—	611
Directors						
Tang Fen	—	247	350	13	2,632	3,242
Shi Donghong	—	247	300	16	2,632	3,195
Zhang Kexiang	—	240	105	9	526	880
Tan Xinming	—	187	105	17	1,053	1,362
Huang Yumin	—	—	—	—	—	—
Li Zhengnong	—	—	—	—	—	—
Chen Gongrong	—	—	—	—	—	—
Yuan Aiping	—	—	—	—	—	—
	—	1,521	860	66	6,843	9,290

	Directors' fee	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to retirement scheme	Share incentive scheme (note 29)	2018 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman						
Zhang Jian	—	650	—	14	—	664
Directors						
Tang Fen	30	263	500	17	2,632	3,442
Shi Donghong	30	264	400	17	2,632	3,343
Zhang Kexiang	30	257	350	12	526	1,175
Tan Xinming	30	197	350	39	1,053	1,669
Huang Yumin	30	—	—	—	—	30
Li Zhengnong	80	—	—	—	—	80
Chen Gongrong	80	—	—	—	—	80
Yuan Aiping	80	—	—	—	—	80
	390	1,631	1,600	99	6,843	10,563

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8 Directors' emoluments—continued

	Directors' fee	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to retirement scheme	Share incentive scheme (note 29)	Four months ended April 30, 2018 (unaudited) Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman						
Zhang Jian	—	200	—	5	—	205
Directors						
Tang Fen	—	82	500	6	877	1,465
Shi Donghong	—	82	400	6	877	1,365
Zhang Kexiang	—	80	350	4	175	609
Tan Xinming	—	62	350	13	351	776
Huang Yumin	—	—	—	—	—	—
Li Zhengnong	—	—	—	—	—	—
Chen Gongrong	—	—	—	—	—	—
Yuan Aiping	—	—	—	—	—	—
	—	506	1,600	34	2,280	4,420

	Directors' fee	Salaries, allowances and other benefits	Discretionary bonuses	Contributions to retirement scheme	Share incentive scheme (note 29)	Four months ended April 30, 2019 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Chairman						
Zhang Jian	—	200	—	5	—	205
Directors						
Tang Fen	—	100	600	6	1,215	1,921
Shi Donghong	—	91	500	6	1,215	1,812
Zhang Kexiang	—	95	350	4	243	692
Tan Xinming	—	77	250	13	486	826
Li Zhengnong	—	20	—	—	—	20
Chen Gongrong	—	20	—	—	—	20
Zhang Quanxun	—	—	—	—	—	—
Wong Kai Yan Thomas	—	—	—	—	—	—
	—	603	1,700	34	3,159	5,496

Note: These represent the estimated value of restricted shares granted to the directors under the Company's share incentive scheme. The value of these restricted shares is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(t)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of restricted shares granted, are disclosed under note 29.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

9 Individuals with highest emoluments

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019, of the five highest emoluments, 3, 3, 3, 4 and 4 individuals are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, allowances and other benefits	344	348	348	60	72
Discretionary bonuses	100	190	439	200	200
Contributions to retirement scheme	28	30	56	6	6
Share incentive scheme	2,105	2,105	2,105	439	607
	2,577	2,673	2,948	705	885

The emoluments of the non-director employees among the five highest emoluments are within the following bands:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Nil—RMB 1,000,000	—	—	—	1	1
RMB 1,000,001—RMB 1,500,000	1	1	1	—	—
RMB 1,500,001—RMB 3,000,000	1	1	1	—	—

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10 Earnings per share

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB197,646 thousand, RMB168,391 thousand, RMB466,304 thousand, RMB37,461 thousand and RMB35,217 thousand respectively for the years ended 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019 and the weighted average number of shares of 342,924,000, 343,172,548, 365,604,000, 365,604,000 and 365,604,000 (after adjusting for the conversion of capital reserve to share capital in 2019) in issue during the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019 respectively, calculated as follows:

Weighted average number of ordinary shares

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
				(unaudited)	
Issued ordinary shares at January 1,	285,770,000	285,770,000	304,670,000	304,670,000	304,670,000
Effect of issuing of shares (note 31(a))	—	207,123	—	—	—
Number of shares increased due to conversion of capital reserve to share capital	57,154,000	57,195,425	60,934,000	60,934,000	60,934,000
Weighted average number of ordinary shares	342,924,000	343,172,548	365,604,000	365,604,000	365,604,000

11 Investment property

	Commercial real estate
	RMB'000
Balance at January 1, 2016	—
Transferred from plant and buildings	253,771
Fair value adjustment	5,837
Balance at December 31, 2016	259,608
Balance at January 1, 2017	259,608
Fair value adjustment	13,966
Balance at December 31, 2017	273,574
Balance at January 1, 2018	273,574
Fair value adjustment	53,871
Disposals	(3,412)
Balance at December 31, 2018	324,033
Balance at January 1, 2019	324,033
Fair value adjustment	—
Disposals	—
Balance at April 30, 2019	324,033

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11 Investment property—continued

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the Group was applying for certificates of ownership for certain properties with carrying amounts of RMB259,608 thousand, RMB273,574 thousand, RMB324,033 thousand and RMB324,033 thousand, respectively. The directors of the Group are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

The Group leases out its investment property and has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the asset. The rental income is included in "other income" (note 5).

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 Property, plant and equipment

	Plant and buildings	Machinery equipment	Electronic equipment	Motor vehicles	Office furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:							
Balance at January 1, 2016	585,951	496,477	15,852	16,172	11,127	12,803	1,138,382
Additions	15,889	19,182	1,771	2,025	1,315	131,333	171,515
Transferred from construction in progress	24,437	—	—	—	—	(24,437)	—
Disposals	—	(15,225)	(486)	—	—	—	(15,711)
Transferred to investment property	(253,771)	—	—	—	—	—	(253,771)
Balance at December 31, 2016	372,506	500,434	17,137	18,197	12,442	119,699	1,040,415
Balance at January 1, 2017	372,506	500,434	17,137	18,197	12,442	119,699	1,040,415
Additions	391	103,758	5,012	8,376	7,114	128,398	253,049
Transferred from construction in progress	13,318	156,134	—	—	—	(169,452)	—
Disposals	(11,143)	(26,735)	(352)	(1,361)	(277)	—	(39,868)
Balance at December 31, 2017	375,072	733,591	21,797	25,212	19,279	78,645	1,253,596
Balance at January 1, 2018	375,072	733,591	21,797	25,212	19,279	78,645	1,253,596
Additions	3,512	113,122	3,169	1,435	2,495	223,845	347,578
Transferred from construction in progress	38,149	41,019	—	—	—	(79,168)	—
Disposals	—	(13,347)	(596)	(892)	(2,203)	(11,045)	(28,083)
Balance at December 31, 2018	416,733	874,385	24,370	25,755	19,571	212,277	1,573,091
Balance at January 1, 2019	416,733	874,385	24,370	25,755	19,571	212,277	1,573,091
Additions	1,868	14,354	586	895	150	145,096	162,949
Transferred from construction in progress	4,026	14,892	—	—	—	(18,918)	—
Disposals	—	(2,115)	(443)	(233)	(849)	—	(3,640)
Balance at April 30, 2019	422,627	901,516	24,513	26,417	18,872	338,455	1,732,400

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 Property, plant and equipment—continued

	Plant and buildings	Machinery equipment	Electronic equipment	Motor vehicles	Office furniture	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation:							
Balance at January 1, 2016	(24,506)	(152,437)	(8,110)	(7,948)	(1,885)	—	(194,886)
Depreciation charge for the year	(15,309)	(41,980)	(1,965)	(2,901)	(4,260)	—	(66,415)
Written back on disposals	—	4,429	254	—	524	—	5,207
Balance at December 31, 2016	(39,815)	(189,988)	(9,821)	(10,849)	(5,621)	—	(256,094)
Balance at January 1, 2017	(39,815)	(189,988)	(9,821)	(10,849)	(5,621)	—	(256,094)
Depreciation charge for the year	(17,975)	(49,305)	(2,441)	(937)	(2,377)	—	(73,035)
Written back on disposals	5,979	11,941	235	1,007	111	—	19,273
Balance at December 31, 2017	(51,811)	(227,352)	(12,027)	(10,779)	(7,887)	—	(309,856)
Balance at January 1, 2018	(51,811)	(227,352)	(12,027)	(10,779)	(7,887)	—	(309,856)
Depreciation charge for the year	(13,481)	(70,991)	(2,944)	(1,484)	(5,236)	—	(94,136)
Written back on disposals	—	3,155	531	438	733	—	4,857
Balance at December 31, 2018	(65,292)	(295,188)	(14,440)	(11,825)	(12,390)	—	(399,135)
Balance at January 1, 2019	(65,292)	(295,188)	(14,440)	(11,825)	(12,390)	—	(399,135)
Depreciation charge for the period	(5,889)	(29,925)	(970)	(568)	(311)	—	(37,663)
Written back on disposals	—	1,832	439	197	286	—	2,754
Balance at April 30, 2019	(71,181)	(323,281)	(14,971)	(12,196)	(12,415)	—	(434,044)
Net book value:							
Balance at December 31, 2016	332,691	310,446	7,316	7,348	6,821	119,699	784,321
Balance at December 31, 2017	323,261	506,239	9,770	14,433	11,392	78,645	943,740
Balance at December 31, 2018	351,441	579,197	9,930	13,930	7,181	212,277	1,173,956
Balance at April 30, 2019	351,446	578,235	9,542	14,221	6,457	338,455	1,298,356

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12 Property, plant and equipment—continued

As at December 31, 2016, 2017 and 2018 and April 30, 2019, certain property, plant and equipment were pledged as collateral for certain bank loans and other borrowings (see note 24).

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the Group was applying for certificates of ownership for certain properties with carrying amounts of RMB209,198 thousand, RMB201,976 thousand, RMB46,839 thousand, RMB455,099 thousand respectively. The directors of the Group are of the opinion that the use of and the conduct of operating activities at the properties referred to above are not affected by the fact that the Group has not yet obtained the relevant property title certificates.

13 Lease prepayments

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1,	429,768	429,768	425,491	318,363
Purchase	—	7,905	16,731	—
Disposal of a subsidiary	—	(12,182)	(123,859)	—
Reclassification to right-of-use assets (note 15)	—	—	—	(318,363)
At December 31,/April 30,	429,768	425,491	318,363	—
Accumulated amortization:				
At January 1,	(24,655)	(33,463)	(40,488)	(38,038)
Charge for the year/period	(8,808)	(8,812)	(8,491)	—
Disposal of a subsidiary	—	1,787	10,941	—
Reclassification to right-of-use assets (note 15)	—	—	—	38,038
At December 31,/April 30,	(33,463)	(40,488)	(38,038)	—
Net book value:				
At December 31,/April 30,	396,305	385,003	280,325	—

The lease prepayments represent payments for land use rights of land located in the PRC. The period for the land use rights is no more than 50 years.

As at December 31, 2016, 2017 and 2018, certain lease prepayments were pledged as collateral for certain bank loans and other borrowings (see note 24).

As at April 30, 2019, all lease prepayments were accounted in accordance with IFRS 16 and reclassified to right-of-use assets.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

14 Intangible assets

	Software	Capitalized development costs	Total
	RMB'000	RMB'000	RMB'000
Cost:			
Balance at January 1, 2016	8,366	45,313	53,679
Additions	1,921	20,184	22,105
Balance at December 31, 2016	10,287	65,497	75,784
Balance at January 1, 2017	10,287	65,497	75,784
Additions	4,345	28,196	32,541
Disposals	(41)	—	(41)
Balance at December 31, 2017	14,591	93,693	108,284
Balance at January 1, 2018	14,591	93,693	108,284
Additions	9,163	81,752	90,915
Disposals	(85)	(1,408)	(1,493)
Balance at December 31, 2018	23,669	174,037	197,706
Balance at January 1, 2019	23,669	174,037	197,706
Additions	2,900	25,006	27,906
Balance at April 30, 2019	26,569	199,043	225,612
Accumulated amortization:			
Balance at January 1, 2016	(4,201)	(2,477)	(6,678)
Amortization for the year	(1,713)	(3,376)	(5,089)
Balance at December 31, 2016	(5,914)	(5,853)	(11,767)
Balance at January 1, 2017	(5,914)	(5,853)	(11,767)
Amortization for the year	(2,177)	(9,762)	(11,939)
Written back on disposal	41	—	41
Balance at December 31, 2017	(8,050)	(15,615)	(23,665)
Balance at January 1, 2018	(8,050)	(15,615)	(23,665)
Amortization for the year	(2,537)	(9,892)	(12,429)
Written back on disposal	4	—	4
Balance at December 31, 2018	(10,583)	(25,507)	(36,090)
Balance at January 1, 2019	(10,583)	(25,507)	(36,090)
Amortisation for the period	(1,137)	(2,343)	(3,480)
Balance at April 30, 2019	(11,720)	(27,850)	(39,570)
Net book value:			
Balance at December 31, 2016	4,373	59,644	64,017
Balance at December 31, 2017	6,541	78,078	84,619
Balance at December 31, 2018	13,086	148,530	161,616
Balance at April 30, 2019	14,849	171,193	186,042

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15 Right-of-use assets

The Group leases assets including plants, buildings and lands. Information about leases for which the Group is a lessee is presented below.

	Property, plant and equipment	Land use right	Total
	RMB'000	RMB'000	RMB'000
Balance at December 31, 2018	—	—	—
Impact on initial application of IFRS 16	53,763	280,325	334,088
Balance at January 1, 2019	53,763	280,325	334,088
Additions	35,029	30,840	65,869
Depreciation for the period	(5,667)	(2,292)	(7,959)
Balance at April 30, 2019	83,125	308,873	391,998

As at April 30, 2019, certain land use rights were pledged as collateral for certain bank loans and other borrowings (see note 24).

16 Investments in subsidiaries

The carrying amount of investments in subsidiaries is listed below:

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Broad Homes Industrial (Tianjin) Co., Ltd.	100,000	100,000	100,000	100,000
Broad Homes Industrial (Hangzhou) Co., Ltd.	100,000	100,000	100,000	100,000
Hunan Broad Construction & Industrial Co., Ltd.	193,819	194,608	195,398	195,763
Broad Homes Industrial (Shanghai) Co., Ltd.	100,000	100,000	100,000	100,000
Changsha Broad Homes Industrial Anhui Co., Ltd.	30,000	30,000	30,000	30,000
Changsha Broad Homes Industrial (Jiangsu) Co., Ltd.	30,000	30,000	30,000	30,000
Ningxiang Broad Homes Industrial Co., Ltd.	60,000	60,000	60,000	60,000
Lu An Broad Homes Industrial Co., Ltd.	—	3,500	30,000	30,000
Changsha Broad Homes Industrial Fuyang Co., Ltd.	30,000	30,000	30,000	30,000
Xiangtan Broad Homes Industrial Co., Ltd.	60,000	60,000	60,000	60,000
Chenzhou Broad Homes Industrial Co., Ltd.	30,000	30,000	30,000	30,000
Guangzhou Broad Homes Industrial Co., Ltd.	30,000	30,000	30,000	30,000
Yueyang Broad Homes Industrial Co., Ltd.	—	27,340	27,340	27,340
Changsha Broad Bathroom Co., Ltd.	10,000	10,000	10,000	10,000
Hunan Broad Engineering Design Co., Ltd.	—	8,742	9,531	9,894
Beijing Broad Homes Industrial Co., Ltd	100,000	100,000	—	—
Liaoning Broad Homes Industrial Co., Ltd.	31,579	30,000	—	—
Changsha Broad Homes Intelligent Technology Co., Ltd.	—	—	5,000	7,000
Zhang Jiajie Broad Homes Industrial Co., Ltd.	40,000	—	—	—
Wuhan Broad Homes Industrial Co., Ltd.	—	—	—	33,891
Shenzhen Broad Homes Industrial Co., Ltd.	—	—	—	2,160
Changsha Broad Homes Modules Technology Co., Ltd.	—	—	—	5,000
Beijing Parallel System Information Technology Co., Ltd.	—	—	—	2,354
	945,398	944,190	847,269	893,402

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Interest in associates

The principal associates of the Group includes Chongqing Yulong Broad Homes Industrial Co., Ltd.* (重慶渝隆遠大住宅工業有限公司), Chengdu Chengtou Broad Construction Technology Co., Ltd.* (成都城投遠大建築科技有限公司), Suzhou Yiyuan Homes Technology Co., Ltd.* (蘇州毅遠住宅科技有限公司) and other associates that manufacture PC units. None of these associates was individually material to the Group's financial condition or results of operations for the Track Record Period. All of the above associates are accounted for using the equity method in the Historical Financial Information. The Purpose of the investment in the associates is to enable the Group to expand PC units business around the PRC.

*The English translation of the associates' names is for reference only. The official names of these companies are in Chinese.

Aggregate information of associates that are not individually material:

The Group

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	436,042	1,005,065	663,808	547,080
Aggregate amounts of the group's share of those associates				
Losses from operations	(17,120)	(69,731)	(98,321)	(26,305)
Other comprehensive income	—	—	—	—
Total comprehensive income	(17,120)	(69,731)	(98,321)	(26,305)

The Company

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	436,042	1,005,065	663,808	547,080
Aggregate amounts of the group's share of those associates				
Losses from operations	(17,120)	(69,731)	(98,321)	(26,305)
Other comprehensive income	—	—	—	—
Total comprehensive income	(17,120)	(69,731)	(98,321)	(26,305)

The associates are all in their respective initial set-up period or are yet to commence their operation. In particular, of the total of 43, 30 and 27 associates as of December 31, 2017 and 2018 and April 30, 2019, 25, 23 and 21 associates had commenced their operation in 2017, 2018 and the four months ended April 30, 2019 respectively. Other associates are still under construction as at December 31, 2017 and 2018 and April 30, 2019. The directors are of the opinion that the accumulated losses incurred in the associates which are in their respective initial set-up period or are yet to commence their operation is not considered to be an indication of impairment. Nevertheless, the

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17 Interest in associates—continued

recoverable amount of the Group's investment in associates, which is the greater of its fair value less costs of disposal and value in use, is estimated by the Group at the end of each reporting period. The recoverable amount of respective associates exceed its carrying amount as at December 31, 2017 and 2018 and April 30, 2019. By considered the factors and estimation above, no impairment loss has been recognized for the Group's investment in associates in the Relevant Periods.

As disclosed under the paragraph "Broad Home United Program" in the prospectus, since early 2018, the Company started to implement the "two level management strategy" for the Joint Factories. In order to reallocate the limited management resources and motivate the majority shareholder(s) of the Joint Factories, after negotiation and subject to the consent of the JF Partners, the Company no longer holds the decision-making rights in the key management decisions of the Joint Factories in the board meetings or shareholders' meetings and ceased to appoint directors and to be entitled to nominate directors. Instead, the Company obtained information about the operation and financial performance of level-two Joint Factories by presenting in the regular meetings of Joint Factories, the financial data provided quarterly as well as the data generated from the operation of PC-CPS, an intelligent system to manage the operation and production, in case PC-CPS is installed in the Joint Factories.

As a result of loss of significant influence over these Joint Factories, a gain of RMB261 million and RMB87 million have been recognised as a result of the remeasurement of these investment from interest in associates to financial assets at fair value through profit or loss during the year ended December 31, 2018 and the four months ended April 30, 2019.

18 Financial assets at fair value through profit or loss

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss				
—Investment in wealth management products issued by banks (note (a))	—	28,000	—	—
—Equity investment (note (b))	—	—	833,357	1,060,292
	—	28,000	833,357	1,060,292

Note (a) The wealth management products were issued by banks, which are guaranteed with variable investment income and can be redeemed on demand or in a short term.

Note (b) The equity investment was the Group's investment in level-two Joint Factories as disclosed in note 17.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19 Inventories

(a) Inventories in the consolidated statements of financial position comprise:

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	69,425	84,120	102,423	127,267
Work in progress	121,328	197,779	179,259	180,671
Finished goods	229,343	287,584	92,456	99,310
Consignment stock	—	2,072	1,551	1,289
	420,096	571,555	375,689	408,537

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss was presented in note 6(c).

20 Contract assets and contract liabilities

(a) Contract assets

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Arising from performance under construction contracts	1,646,736	1,131,252	944,135	839,546
Less: loss allowance provision	—	(17,292)	(14,143)	(18,457)
	1,646,736	1,113,960	929,992	821,089

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group also typically agrees to a five year retention period for 5% of the contract value. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

(b) Contract liabilities

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Billings in advance of performance	503,089	727,988	497,102	475,473

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit. The Group typically receives a 10% to 50% deposit before the manufacturing of PC units and PC equipments.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 Trade and other receivables

	As at December 31,			As at January 1,	As at April 30,
	2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	1,080,260	1,535,114	1,807,123	1,807,123	1,805,276
Bills receivable	3,753	1,379	6,900	6,900	5,927
Less: allowance for doubtful debts	(3,117)	(8,290)	(81,438)	(81,438)	(98,726)
	1,080,896	1,528,203	1,732,585	1,732,585	1,712,477
Other receivables	157,654	168,092	228,163	228,163	188,086
Less:allowance for doubtful debts	(20,134)	(20,336)	(25,342)	(25,342)	(17,715)
	137,520	147,756	202,821	202,821	170,371
Prepayments	54,139	32,791	81,887	81,887	88,752
Prepaid expenses (note)	15,847	14,487	14,251	12,263	31,931
Value added tax recoverable	14,591	22,140	19,501	19,501	20,471
Others	12,126	12,126	11,949	11,949	12,409
	1,315,119	1,757,503	2,062,994	2,061,006	2,036,411

Note: On the date of transition to IFRS 16, prepaid lease payments of RMB1,988 thousand previously included in "Prepaid expenses" were adjusted to right-of-use assets recognised at January 1, 2019. See note 2(d).

All of the trade debtors, bills receivable and other receivables are expected to be recovered or recognised as expense within one year.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, bills receivable amounted to RMB0 million, RMB45.5 million, RMB0 million and RMB12.1 million were pledged as collateral for certain bank loans and other borrowings (see note 24).

Aging analysis

As at the end of the reporting period, the aging analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 month	560,957	695,601	260,812	145,670
Over 1 month but less than 1 year	168,800	406,087	722,569	773,203
1 to 2 years	119,838	247,498	589,471	645,489
2 to 3 years	217,341	79,928	121,680	102,338
3 to 4 years	9,768	95,953	34,031	30,484
4 to 5 years	4,192	3,136	4,022	10,623
More than 5 years	—	—	—	4,670
	1,080,896	1,528,203	1,732,585	1,712,477

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21 Trade and other receivables—continued

Trade debtors and bills receivable are due within 30 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 32(a).

22 Restricted and pledged bank deposits

The pledged bank deposits primarily represent cash maintained at banks as security for guarantees of payment relating to the issuance of bills payable to certain vendors of the Group, for bank deposits and for receivables that have been factored to banks. Upon maturity of the bills payable, maturity of bank deposits or upon full repayment of the receivables, the restriction on the bank deposits is released.

23 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

The Group

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	24	1	—	—
Cash at bank	279,765	675,941	296,475	294,926
	279,789	675,942	296,475	294,926

(b) Reconciliation of liabilities arising from financing activities

The Company

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	13	—	—	—
Cash at bank	33,044	605,289	259,713	252,811
	33,057	605,289	259,713	252,811

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23 Cash and cash equivalents—continued

(b) Reconciliation of liabilities arising from financing activities—continued

	Note	Bank loans and other borrowings	Finance leases	Total
		RMB'000 (Note 24)	RMB'000 (Note 26)	RMB'000
At January 1, 2016		1,179,999	185,191	1,365,190
Changes from financing cash flows:				
Proceeds from loans and borrowings		1,938,677	—	1,938,677
Repayments of loans and borrowings		(1,500,098)	—	(1,500,098)
Finance lease rentals paid		—	(122,533)	(122,533)
Interest paid		(98,233)	—	(98,233)
Total changes from financing cash flows		340,346	(122,533)	217,813
Other changes:				
Interest on loans, borrowings and finance lease arrangement		98,232	4,525	102,757
Total other changes		98,232	4,525	102,757
At December 31, 2016		1,618,577	67,183	1,685,760

	Note	Bank loans and other borrowings	Finance leases	Total
		RMB'000 (Note 24)	RMB'000 (Note 26)	RMB'000
At January 1, 2017		1,618,577	67,183	1,685,760
Changes from financing cash flows:				
Proceeds from loans and borrowings		2,081,250	—	2,081,250
Repayments of loans and borrowings		(1,946,301)	—	(1,946,301)
Finance lease rentals paid		—	(68,595)	(68,595)
Interest paid		(109,938)	—	(109,938)
Total changes from financing cash flows		25,011	(68,595)	(43,584)
Other changes:				
Interest on loans, borrowings and finance lease arrangement		109,938	1,412	111,350
Total other changes		109,938	1,412	111,350
At December 31, 2017		1,753,526	—	1,753,526

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23 Cash and cash equivalents—continued

(b) Reconciliation of liabilities arising from financing activities—continued

	Note	Bank loans and other borrowings	Finance leases	Total
		RMB'000 (Note 24)	RMB'000 (Note 26)	RMB'000
At January 1, 2018		1,753,526	—	1,753,526
Changes from financing cash flows:				
Proceeds from loans and borrowings		1,622,275	—	1,622,275
Repayments of loans and borrowings		(1,434,019)	—	(1,434,019)
Interest paid		(95,789)	—	(95,789)
Total changes from financing cash flows		92,467	—	92,467
Other changes:				
Interest on loans, borrowings and finance lease arrangement		95,789	—	95,789
Total other changes		95,789	—	95,789
At December 31, 2018		1,941,782	—	1,941,782

	Note	Bank loans and other borrowings	Lease liabilities	Total
		RMB'000 (Note 24)	RMB'000 (Note 27)	RMB'000
At December 31, 2018		1,941,782	—	1,941,782
Impact on initial application of IFRS16		—	51,775	51,775
At January 1, 2019		1,941,782	51,775	1,993,557
Changes from financing cash flows:				
Proceeds from loans and borrowings		622,053	—	622,053
Repayments of loans and borrowings		(416,059)	—	(416,059)
Interest paid		(32,538)	—	(32,538)
Capital element of lease rentals paid		—	(39,468)	(39,468)
Interest element of lease rentals paid		—	(37)	(37)
Total changes from financing cash flows		173,456	(39,505)	133,951
Other changes:				
Interest on loans, borrowings and lease liabilities		32,537	656	33,193
Increase in lease liabilities from entering into new leases during the period		—	65,869	65,869
Total other changes		32,537	66,525	99,062
At April 30, 2019		2,147,775	78,795	2,226,570

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23 Cash and cash equivalents—continued

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	For the four months ended April 30, 2019	For the four months ended April 30, 2018	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within operating cash flows	7,917	10,757	35,268	33,772	29,821
Within investing cash flows	30,840	16,731	16,731	7,905	—
Within financing cash flows	8,665	—	—	—	—
	47,422	27,488	51,999	41,677	29,821

Note: The adoption of IFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following

	For the four months ended April 30, 2019	For the four months ended April 30, 2018	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Lease rentals paid	16,582	10,757	35,268	33,772	29,821
Payment for lease prepayments	30,840	16,731	16,731	7,905	—
	47,422	27,488	51,999	41,677	29,821

24 Loans and borrowings

(a) Short-term loans and borrowings

The Group

	Note	As at December 31,			As at April 30,
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed bank loans	(i)	795,000	475,500	645,000	675,000
Secured bank loans	(ii)	234,000	487,000	150,000	462,053
Pledged bank loans	(iii)	—	139,250	—	—
Unsecured bank loans	(iv)	—	—	280,000	130,000
Add: Current portion of non-current loans and borrowings		223,100	250,639	468,894	477,364
		1,252,100	1,352,389	1,543,894	1,744,417

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Loans and borrowings—continued

(a) Short-term loans and borrowings—continued

The Company

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed bank loans	400,000	190,500	420,000	450,000
Secured bank loans	59,910	252,000	150,000	462,053
Unsecured bank loans	—	—	280,000	130,000
Add: Current portion of non-current loans and borrowings	223,100	245,639	311,955	322,400
	683,010	688,139	1,161,955	1,364,453

(i) Guaranteed bank loans

As at December 31, 2016, the Group's current bank loans of RMB350 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd. and Mr. Zhang Jian.

As at December 31, 2016, the Group's current bank loans of RMB50 million were guaranteed by Mr. Zhang Jian.

As at December 31, 2016, the Group's current bank loans of RMB100 million were guaranteed by the Company, Mr. Zhang Jian and Mrs. Liu Hui.

As at December 31, 2016, the Group's current bank loans of RMB250 million were guaranteed by the Company and Mr. Zhang Jian.

As at December 31, 2016, the Group's current bank loans of RMB45 million were guaranteed by the Company.

As at December 31, 2017, the Group's current bank loans of RMB10 million were guaranteed by Changsha Broad Homes Industrial Anhui Co., Ltd..

As at December 31, 2017, the Group's current bank loans of RMB 45 million were guaranteed Mr. Zhang Jian.

As at December 31, 2017, the Group's current bank loans of RMB170.5 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd. and Mr. Zhang Jian.

As at December 31, 2017, the Group's current bank loans of RMB20 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd., Mr. Zhang Jian and Mrs. Liu Hui.

As at December 31, 2017, the Group's current bank loans of RMB100 million were guaranteed by the Company, Mr. Zhang Jian and Mrs. Liu Hui.

As at December 31, 2017, the Group's current bank loans of RMB130 million were guaranteed by the Company and Mr. Zhang Jian.

As at December 31, 2018, the Group's current bank loans of RMB320 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd, Mr. Zhang Jian and Mrs. Liu Hui.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Loans and borrowings—continued

(a) Short-term loans and borrowings—continued

(i) Guaranteed bank loans—continued

As at December 31, 2018, the Group's current bank loans of RMB100 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd..

As at December 31, 2018, the Group's current bank loans of RMB225 million were guaranteed by the Company.

As at April 30, 2019, the Group's current bank loans of RMB225 million were guaranteed by the Company.

As at April 30, 2019, the Group's current bank loans of RMB450 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd..

(ii) Secured bank loans

As at December 31, 2016, the Group's current bank loans of RMB160 million were secured by bills receivable with carrying amounts of RMB160 million.

As at December 31, 2016, the Group's current bank loans of RMB58 million were secured by trade and other receivables with carrying amounts of RMB58 million and guaranteed by Mr. Zhang Jian and Mrs. Liu Hui.

As at December 31, 2016, the Group's current bank loans of RMB16 million were secured by trade and other receivables with carrying amounts of RMB24,646 thousand and guaranteed by the Company and Mr. Zhang Jian.

As at December 31, 2017, the Group's current bank loans of RMB100 million were secured by plants and buildings with carrying amounts of RMB22,295 thousand (see note 12), land use rights with carrying amounts of RMB25,368 thousand (see note 13) and guaranteed by Hunan Broad Construction & Industrial Co., Ltd., Mr. Zhang Jian and Mrs. Liu Hui.

As at December 31, 2017, the Group's current bank loans of RMB70 million were secured by plants and buildings with carrying amounts of RMB14,059 thousand (see note 12), land use rights with carrying amounts of RMB7,929 thousand (see note 13) and guaranteed by Mr. Zhang Jian.

As at December 31, 2017, the Group's current bank loans of RMB202 million were secured by bills receivable with carrying amounts of RMB202 million.

As at December 31, 2017, the Group's current bank loans of RMB50 million were secured by trade and other receivables with carrying amounts of RMB78.11 million and guaranteed by the Company and Mr. Zhang Jian.

As at December 31, 2017, the Group's current bank loans of RMB50 million were secured by trade and other receivables with carrying amounts of RMB77,882 thousand and guaranteed by Hunan Broad Construction & Industrial Co., Ltd. and Mr. Zhang Jian.

As at December 31, 2017, the Group's current borrowings of RMB15 million were secured by trade and other receivables with carrying amounts of RMB46.86 million.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Loans and borrowings—continued

(a) Short-term loans and borrowings—continued

(ii) Secured bank loans—continued

As at December 31, 2018, the Group's current bank loans of RMB150 million were secured by plants and buildings with carrying amounts of RMB21,258 thousand (see note 12), land use rights with carrying amounts of RMB24,801 thousand (see note 13) and guaranteed by Hunan Broad Construction & Industrial Co., Ltd., Mr. Zhang Jian and Mrs. Liu Hui.

As at April 30, 2019, the Group's current bank loans of RMB50 million were secured by plants and buildings with carrying amounts of RMB9,937 thousand (see note 12), land use rights with carrying amounts of RMB17,778 thousand (see note 13) and guaranteed by Hunan Broad Construction & Industrial Co., Ltd..

As at April 30, 2019, the Group's current bank loans of RMB100 million were secured by plants and buildings with carrying amounts of RMB20,903 thousand (see note 12), land use rights with carrying amounts of RMB24,181 thousand (see note 13) and guaranteed by Hunan Broad Construction & Industrial Co., Ltd..

As at April 30, 2019, the Group's current bank loans of RMB250 million were secured by plants and buildings with carrying amounts of RMB54,041 thousand (see note 12), land use rights with carrying amounts of RMB38,729 thousand (see note 13) and guaranteed by Hunan Broad Construction & Industrial Co., Ltd..

As at April 30, 2019, the Group's current bank loans of RMB50 million were secured by plants and buildings with carrying amounts of RMB13,958 thousand (see note 12), land use rights with carrying amounts of RMB7,668 thousand (see note 13) and guaranteed by Hunan Broad Construction & Industrial Co., Ltd..

As at April 30, 2019, the Group's current bank loans of RMB12,053 thousand were secured by trade and other receivables with carrying amounts of RMB12,053 thousand.

(iii) Pledged bank loans

As at December 31, 2017, the Group's current bank loans of RMB50 million were pledged by commercial bills with carrying amounts of RMB50 million and guaranteed by the Company and Mr. Zhang Jian.

As at December 31, 2017, the Group's current bank loans of RMB41.75 million were pledged by commercial bills with carrying amounts of RMB45.5 million.

As at December 31, 2017, the Group's current bank loans of RMB47.5 million were pledged by bank deposits with carrying amounts of RMB50 million.

(iv) Unsecured bank loans

As at December 31, 2018, the Group's current bank loans of RMB270 million were previously guaranteed by Mr. Zhang Jian and Mrs. Liu Hui but were released by the bank during the year 2018.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Loans and borrowings—continued

(a) Short-term loans and borrowings—continued

(iv) Unsecured bank loans—continued

As at December 31, 2018, the Group's current bank loans of RMB10 million were previously guaranteed by Mr. Zhang Jian but were released by the bank during the year 2018.

As at April 30, 2019, the Group's current bank loans of RMB120 million were previously guaranteed by Mr. Zhang Jian and Mrs. Liu Hui but were released by the bank during the year 2018.

As at April 30, 2019, the Group's current bank loans of RMB10 million were previously guaranteed by Mr. Zhang Jian but were released by the bank during the year 2018.

(b) Long-term loans and borrowings

The Group

	Note	As at December 31,			As at April 30,
		2016	2017	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed bank loans	(i)	200,000	385,800	389,000	285,900
Secured bank loans and other borrowings	(ii)	389,577	265,976	327,782	344,822
Unsecured bank loans	(iii)	—	—	150,000	250,000
Less: Current portion of non-current loans and borrowings		(223,100)	(250,639)	(468,894)	(477,364)
		366,477	401,137	397,888	403,358

The Company

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Guaranteed bank loans	100,000	288,800	297,000	196,900
Secured bank loans and other borrowings	389,577	260,976	141,555	191,900
Unsecured bank loans	—	—	150,000	250,000
Less: Current portion of non-current loans and borrowings	(223,100)	(245,639)	(311,955)	(322,400)
	266,477	304,137	276,600	316,400

(i) Guaranteed bank loans

As at December 31, 2016, the Group's non-current bank loans of RMB100 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd. and Mr. Zhang Jian, of which RMB 200 thousand was due within one year.

As at December 31, 2016, the Group's non-current bank loans of RMB100 million were guaranteed by the Company and Mr. Zhang Jian, of which RMB3 million was due within one year.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Loans and borrowings—continued

(b) Long-term loans and borrowings—continued

(i) Guaranteed bank loans—continued

As at December 31, 2017, the Group's non-current bank loans of RMB198.8 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd. and Mr. Zhang Jian, of which RMB101.8 million was due within one year.

As at December 31, 2017, the Group's non-current bank loans of RMB90 million were guaranteed by Mr. Zhang Jian and Mrs. Liu Hui, of which RMB20 million was due within one year.

As at December 31, 2017, the Group's non-current bank loans of RMB97 million were guaranteed by the Company, Mr. Zhang Jian and Mrs. Liu Hui, of which RMB5 million was due within one year.

As at December 31, 2018, the Group's non-current bank loans of RMB297 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB97.4 million was due within one year.

As at December 31, 2018, the Group's non-current bank loans of RMB92 million were guaranteed by the Company, of which RMB92 million was due within one year.

As at April 30, 2019, the Group's non-current bank loans of RMB89 million were guaranteed by the Company, of which RMB89 million was due within one year.

As at April 30, 2019, the Group's non-current bank loans of RMB196.9 million were guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB97.2 million was due within one year.

(ii) Secured bank loans

As at December 31, 2016, the Group's non-current bank loans of RMB299.9 million were secured by plants and buildings with carrying amounts of RMB23,451 thousand, land use rights with carrying amounts of RMB25,936 thousand and guaranteed by Hunan Broad Construction & Industrial Co., Ltd., Mr. Zhang Jian and Mrs. Liu Hui, of which RMB199.9 million was due within one year.

As at December 31, 2016, the Group's non-current borrowings of RMB89.7 million were secured by machinery equipments with carrying amount of RMB38,243 thousand and guaranteed by Mr. Zhang Jian, of which RMB20 million was due within one year.

As at December 31, 2017, the Group's non-current bank loans of RMB96 million were secured by plants and buildings with carrying amounts of RMB9,236 thousand, land use rights with carrying amounts of RMB8,149 thousand and guaranteed by Hunan Broad Construction & Industrial Co., Ltd. and Mr. Zhang Jian, of which RMB4 million was due within one year.

As at December 31, 2017, the Group's non-current bank loans of RMB99.9 million were secured by plants and buildings with carrying amounts of RMB22,295 thousand, land use rights with carrying amounts of RMB25,368 thousand and guaranteed by Hunan Broad

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Loans and borrowings—continued

(b) Long-term loans and borrowings—continued

(ii) Secured bank loans—continued

Construction & Industrial Co., Ltd., Mr. Zhang Jian and Mrs. Liu Hui, of which RMB99.9 million was due within one year.

As at December 31, 2017, the Group's non-current borrowings of RMB70 million were secured by machinery equipments with carrying amount of RMB28,225 thousand and guaranteed by Mr. Zhang Jian, of which RMB19.9 million was due within one year.

As at December 31, 2018, the Group's non-current bank loans of RMB92 million were secured by plants and buildings with carrying amounts of RMB9,922 thousand, land use rights with carrying amounts of RMB7,963 thousand and guaranteed by Hunan Broad Construction & Industrial Co., Ltd. and Mr. Zhang Jian, of which RMB92 million was due within one year.

As at December 31, 2018, the Group's non-current borrowings of RMB49.6 million were secured by machinery equipments with carrying amount of RMB19,391 thousand, of which RMB49.6 million was due within one year.

As at December 31, 2018, the Group's non-current borrowings of RMB186.2 million were secured by machinery equipments with carrying amount of RMB222,421 thousand and guaranteed by the Company and Mr. Zhang Jian, of which RMB 64.9 million was due within one year.

As at April 30, 2019, the Group's non-current bank loans of RMB92 million were secured by plants and buildings with carrying amounts of RMB9,752 thousand, land use rights with carrying amounts of RMB7,379 thousand and guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB92 million was due within one year.

As at April 30, 2019, the Group's non-current bank loans of RMB99.9 million were secured by plants and buildings with carrying amounts of RMB61,155 thousand, land use rights with carrying amounts of RMB46,355 thousand and guaranteed by Hunan Broad Construction & Industrial Co., Ltd., of which RMB200 thousand was due within one year.

As at April 30, 2019, the Group's non-current borrowings of RMB152.9 million were secured by machinery equipments with carrying amount of RMB214,772 thousand, plants and buildings with carrying amounts of RMB80,517 thousand, land use rights with carrying amounts of RMB64,525 thousand and guaranteed by the Company, of which RMB66 million was due within one year.

(iii) Unsecured bank loans

As at December 31, 2018, the Group's current bank loans of RMB30 million were unsecured.

As at December 31, 2018, the Group's current bank loans of RMB120 million were previously guaranteed by Mr. Zhang Jian and Mrs. Liu Hui but were released by the bank during the year 2018.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24 Loans and borrowings—continued

(b) Long-term loans and borrowings—continued

(iii) Unsecured bank loans—continued

As at April 30, 2019, the Group's current bank loans of RMB120 million were previously guaranteed by Mr. Zhang Jian and Mrs. Liu Hui but were released by the bank during the year 2018.

As at April 30, 2019, the Group's current bank loans of RMB130 million were unsecured.

25 Trade and other payables

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade creditors	928,171	1,038,817	1,130,019	1,045,738
Bills payable	559,748	491,599	711,195	747,912
Trade creditors and bills payable	1,487,919	1,530,416	1,841,214	1,793,650
Accrued staff costs	5,704	5,814	13,557	14,036
VAT payable	88,074	92,860	30,437	48,930
Sundry taxes payable	46,867	29,945	12,177	12,181
Security deposits	19,049	12,376	15,882	19,671
Interest payable	2,385	1,803	2,527	5,330
Withholding tax	24,802	21,497	3,005	1,721
Other accrued expenses and payables	14,856	18,678	14,414	26,863
	1,689,656	1,713,389	1,933,213	1,922,382

All of the trade and other payables are normally settled within one year or are repayable on demand.

As of the end of the reporting period, the aging analysis of trade creditors and bills payable (which are included in trade and other payables) of the Group, based on the invoice date, is as follows:

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,365,381	1,350,461	1,619,563	1,609,162
1 to 2 years	67,834	120,652	102,046	68,141
2 to 3 years	40,538	26,821	72,816	57,621
More than 3 years	14,166	32,482	46,789	58,726
	1,487,919	1,530,416	1,841,214	1,793,650

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26 Obligations under finance lease

As of the end of the reporting period, the Group had obligations under finance leases repayable as follows:

	As at December 31,						As at April 30,	
	2016		2017		2018		2019	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	67,183	68,595	—	—	—	—	—	—
Less:total future interest expenses		(1,412)		—		—		—
Present value of lease obligations		67,183		—		—		—

27 Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to IFRS 16:

	As at April 30, 2019		As at January 1, 2019		As at December 31, 2018	
	Present value of minimum lease payments	Total minimum lease payments	Present value of minimum lease payments	Total minimum lease payments	Present value of minimum lease payments	Total minimum lease payments
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	28,122	28,530	20,966	21,381	—	—
After 1 year but within 2 years	22,541	24,685	16,318	17,569	—	—
After 2 years but within 3 years	14,462	16,648	11,980	13,588	—	—
After 3 years	13,670	16,999	2,511	3,032	—	—
	50,673	58,332	30,809	34,189	—	—
	78,795	86,862	51,775	55,570	—	—
Less: total future interest expenses	—	(8,067)	—	(3,795)	—	—
Present value of lease liabilities	—	78,795	—	51,775	—	—

28 Deferred income

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of year/period	75,337	45,889	42,873	49,013
Additions	10,000	14,007	12,849	—
Amortised to other income	(39,448)	(13,170)	(6,709)	(1,618)
Disposal of a subsidiary	—	(3,853)	—	—
At the end of year/period	45,889	42,873	49,013	47,395
Representing				
Current portion	12,265	5,502	4,538	4,839
Non-current portion	33,624	37,371	44,475	42,556

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28 Deferred income—continued

As at December 31, 2016, 2017 and 2018 and April 30, 2019, deferred income of the Group mainly represented various grants received from governments. Government grants are mainly for development of construction of property, plant and equipment. Government grants are recognised as other income on a straight-line basis over the expected useful life.

29 Equity settled share-based transactions

Hunan Dazheng Investment Co., Ltd. (湖南大正投資股份有限公司) (the "Hunan Dazheng") and Changsha High-tech Development Zone Daxin Investment Management Partnership (Limited Partnership) (長沙高新開發區大鑫投資管理合夥企業(有限合夥)) (the "Changsha Daxin") are special purpose vehicles established for the share incentive scheme of the Group, which hold 10,000,000 and 15,500,000 shares of the Company respectively.

On December 29, 2014, the Company entered into Indirect Share Holding Agreement with 14 employees of the Group (the "Participants") who were granted 8,150,000 shares of the Company via the special purpose vehicles. 2,880,000 shares has been granted via Hunan Dazheng on April 16, 2008 and December 26, 2012, and 5,270,000 shares were granted via Hunan Daxin on April 22, 2013 and December 29, 2014. Pursuant to the Indirect Share Holding Agreement, the share incentive scheme is subject to the condition that the employee remains in service for three years if an IPO occurs within three years from the date of the agreement, otherwise the service period is five years. For those shares issued before the date of the agreement, related expenses have been recognized based on the fair value of the shares at the time when they were issued immediately, as no service period was specified then. For 5,260,000 shares granted on December 29, 2014, as the length of the vesting period varies depending on when a non-market performance condition is satisfied, the Company made an estimate of five years as the expected vesting period at the grant date (December 29, 2014), based on the most likely outcome of the performance condition.

The fair value of share granted on the date of grant is estimated based on the latest share transfer price from the date of grant.

Management estimates the expected yearly percentage of the Participants that will leave the Group at the end of the locking period in order to determine the amount of share incentive scheme expenses to be recognised in the consolidated statements of profit or loss. As at December 31, 2016, 2017 and 2018 and April 30, 2019, the expected demission rate of the Participants assessed respectively to be 7%, 7%, 7% and 0%.

In the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, share incentive scheme expenses of RMB13,868 thousand, RMB13,868 thousand, RMB13,868 thousand and RMB6,401 thousand respectively were recognised in the consolidated statement of comprehensive income.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 Income tax in the consolidated statements of financial position

(a) Income tax payable in the consolidated statement of financial position represents:

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for PRC income tax	8,646	23,671	9,532	9,335
	8,646	23,671	9,532	9,335

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the years are presented as follows:

At December 31, 2016

	Balance at January 1, 2016	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	Balance at December 31, 2016
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:				
Receivables	5,683	130	—	5,813
Deferred income	562	(63)	—	499
Unrealised profit	22,192	555	—	22,747
Investment property	—	—	(876)	(876)
Total	28,437	622	(876)	28,183

At December 31, 2017

	Balance at January 1, 2017	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	Balance at December 31, 2017
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:				
Receivables	5,813	5,666	—	11,479
Deferred income	499	2,325	—	2,824
Unrealised profit	22,747	(4,322)	—	18,425
Investment property	(876)	(2,094)	—	(2,970)
Total	28,183	1,575	—	29,758

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 Income tax in the consolidated statements of financial position—continued

(b) Deferred tax assets and liabilities recognised:—continued

(i) Movement of each component of deferred tax assets and liabilities—continued

At December 31, 2018

	Balance at January 1, 2018	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	Balance at December 31, 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets arising from:				
Receivables	11,479	6,834	—	18,313
Deferred income	2,824	(815)	—	2,009
Unrealised profit	18,425	(2,456)	—	15,969
Investment property	(2,970)	(9,506)	(44)	(12,520)
Total	29,758	(5,943)	(44)	23,771

At April 30, 2019

	Balance at January 1, 2019	Credited/ (charged) to profit or loss	Credited/ (charged) to reserves	Balance at April 30, 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax arising from:				
Receivables	18,313	2,139	—	20,452
Deferred income	2,009	2,308	—	4,317
Unrealised profit	15,969	(818)	—	15,151
Investment property	(12,520)	(356)	—	(12,876)
Right-of-use assets	—	(18,801)	—	(18,801)
Lease liabilities	—	17,800	—	17,800
Total	23,771	2,272	—	26,043

(ii) Reconciliation to the consolidated statements of financial position

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset recognised in the consolidated statement of financial position	29,059	32,728	36,291	27,044
Net deferred tax liability recognised in the consolidated statement of financial position	(876)	(2,970)	(12,520)	(1,001)
	28,183	29,758	23,771	26,043

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(u), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB55,521 thousand, RMB52,430 thousand, RMB111,292 thousand, RMB116,822 thousand and RMB184,030 thousand respectively, for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30 Income tax in the consolidated statements of financial position—continued

(c) Deferred tax assets not recognised—continued

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the Relevant Period will expire in the following years:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
2017	1,653	—	—	—	—
2018	5,116	5,116	—	—	—
2019	12,107	12,107	4,870	12,107	—
2020	31,224	4,332	4,062	4,332	4,062
2021	5,421	2,336	2,169	2,336	2,169
2022	—	28,539	16,653	28,539	16,653
2023	—	—	83,538	69,508	82,596
2024	—	—	—	—	78,550
	55,521	52,430	111,292	116,822	184,030

31 Capital and reserves

(a) Share capital

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Ordinary shares issued and fully paid:				
At January 1,	285,770	285,770	304,670	304,670
Own shares issued	—	18,900	—	—
Conversion of capital reserve to share capital	—	—	—	60,934
At December 31,/April 30,	285,770	304,670	304,670	365,604

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the issued share capital comprises 285,770,000, 304,670,000, 304,670,000 and 365,604,000 ordinary shares of RMB 1 each.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

The Company issued an additional 18,900,000 ordinary shares to six institutional investors and three individual investors at RMB35 per share in December 2017.

The Company converted capital reserve into share capital by way of issuance of 2 bonus shares for every 10 shares and an aggregate of 60,934,000 ordinary shares was issued. Upon completion of the conversion on March 31, 2019, the total share capital increased from 304,670,000 shares to 365,604,000 shares.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Capital and reserves—continued

(b) Reserves

(i) Capital reserve

Under PRC rules and regulations, capital reserve is non-distributable other than in liquidation and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders.

(ii) Statutory surplus reserve

Under PRC rules and regulations, the Company and its PRC subsidiaries are required to set aside 10% of the net income determined in accordance with the PRC accounting rules and regulations to a statutory surplus reserve until such reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of any dividend to shareholders. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019, the Company transferred RMB13,504 thousand, RMB24,019 thousand, RMB77,978 thousand, RMB2,848 thousand and RMB4,834 thousand respectively, being 10% of the current year's net profit as determined in accordance with PRC accounting rules and regulations, to this reserve.

The statutory surplus reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be utilised for business expansion or converted into ordinary shares by the issuance of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by the shareholders, provided that the balance after such issuance is not less than 25% of the registered capital. No such statutory surplus reserve is required for the Group's subsidiaries outside the mainland PRC.

(iii) Fair value reserve (recycling)

The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under IFRS 9 held at the end of the reporting period (see note 2(f)).

(iv) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see note 2(f)).

(v) Special reserve

Pursuant to the relevant PRC regulations for construction industry, the Group is required to set aside an amount to maintenance, production and other similar funds. The funds can be used for maintenance of production and improvements of safety, and are not available for distribution to shareholders.

(c) Dividends

Pursuant to the shareholders' approval at the Annual General Meeting held on May 30, 2018, a final cash dividend of RMB1 per share based on 304,670 thousand ordinary shares totaling

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31 Capital and reserves—continued

(c) Dividends—continued

RMB 304,670 thousand in respect of the year ended December 31, 2017 was declared, and was paid on June 25, 2018.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of the debt-to-equity ratio. For this purpose, the Group defines debt as total loans and borrowings and lease liabilities and defines equity as all components of equity attributable to equity shareholders of the Company.

The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group recognises right-of-use assets and corresponding lease liabilities for almost all leases previously accounted for as operating leases as from January 1, 2019. This caused an increase in the Group's total debt and hence the Group's debt-to-equity ratio rose from 67% to 69% on January 1, 2019 when compared to its position as at December 31, 2018.

As at December 31, 2016, 2017 and 2018, January 1, 2019 and April 30, 2019, the Group's debt-to-equity ratio was as follows:

	As at December 31,			As at January 1,	As at April 30,
	2016	2017	2018	2019	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities:					
Short-term loans and borrowings	1,252,100	1,352,389	1,543,894	1,543,894	1,744,417
Lease liabilities	—	—	—	20,966	28,122
	1,252,100	1,352,389	1,543,894	1,564,860	1,772,539
Non-current liabilities:					
Long-term loans and borrowings	366,477	401,137	397,888	397,888	403,358
Lease liabilities	—	—	—	30,809	50,673
Total debt	1,618,577	1,753,526	1,941,782	1,993,557	2,226,570
Total equity attributable to equity shareholders	1,863,215	2,706,974	2,882,723	2,882,723	2,924,341
Debt-to-equity ratio	87%	65%	67%	69%	76%

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Financial risk management and fair values of financial instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade debtors, bills receivable and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents, restricted and pledged deposits and wealth management products is limited because the counterparties are banks, for which the Group considers to have low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade debtors are due within 30 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade debtors, bills receivable and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status is further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables, bills receivable and contract assets as at December 31, 2016, 2017 and 2018 and April 30, 2019:

Customer segment—PC Unit Manufacturing

	As at December 31,									As at April 30,		
	2016			2017			2018			2019		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000
Within 1 year	0.16%	399,636	(655)	0.15%	723,726	(1,102)	0.11%	502,862	(562)	0.12%	464,246	(567)
1 - 2 years	0.64%	59,460	(383)	0.72%	97,648	(705)	0.40%	365,015	(1,459)	0.39%	381,254	(1,482)
2 - 3 years	6.06%	5,701	(345)	5.34%	21,870	(1,168)	2.84%	47,421	(1,346)	2.40%	73,809	(1,771)
3 - 4 years	37.32%	1,110	(414)	13.19%	144	(19)	8.45%	11,264	(952)	17.11%	12,307	(2,106)
4 - 5 years	0.00%	—	—	100.00%	340	(340)	100.00%	144	(144)	100.00%	144	(144)
5 - 6 years	100.00%	1,320	(1,320)	100.00%	5	(5)	100.00%	24	(24)	100.00%	29	(29)
Individual customers	0.00%	—	—	0.00%	—	—	0.00%	—	—	0.00%	—	—
		467,227	(3,117)		843,733	(3,339)		926,730	(4,487)		931,789	(6,099)

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Financial risk management and fair values of financial instruments—continued

(a) Credit risk—continued

Customer segment—Construction contracts

	As at December 31,									As at April 30,		
	2016			2017			2018			2019		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000
Within 1 year	0.00%	900,629	—	0.01%	221,907	(23)	0.10%	175,329	(182)	0.43%	130,995	(568)
1 - 2 years	0.00%	699,913	—	0.03%	657,267	(173)	0.19%	163,441	(318)	0.54%	147,701	(800)
2 - 3 years	0.00%	438,700	—	0.08%	309,784	(234)	0.46%	443,259	(2,048)	1.05%	297,461	(3,135)
3 - 4 years	0.00%	50,622	—	0.29%	229,865	(674)	1.28%	187,599	(2,395)	2.44%	275,896	(6,723)
4 - 5 years	0.00%	5,150	—	7.13%	4,219	(301)	6.18%	121,516	(7,504)	8.54%	132,167	(11,291)
5 - 6 years	0.00%	—	—	100.00%	506	(506)	100.00%	4,453	(4,453)	0.00%	—	—
Individual customers	0.00%	—	—	60.78%	33,453	(20,332)	95.52%	33,448	(31,951)	24.59%	43,955	(10,807)
		2,095,014	—		1,457,001	(22,243)		1,129,045	(48,851)		1,028,175	(33,324)

Customer segment—PC Equipment Manufacturing

	As at December 31,									As at April 30,		
	2016			2017			2018			2019		
	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance	Expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000	%	RMB'000	RMB'000
Within 1 year	0.00%	168,508	—	0.00%	259,031	—	1.77%	440,210	(7,780)	3.53%	361,771	(12,783)
1 - 2 years	0.00%	—	—	0.00%	107,980	—	4.75%	213,132	(10,132)	9.22%	277,660	(25,590)
2 - 3 years	0.00%	—	—	0.00%	—	—	49.61%	49,041	(24,331)	76.12%	50,104	(38,137)
3 - 4 years	0.00%	—	—	0.00%	—	—	0.00%	—	—	100.00%	1,250	(1,250)
4 - 5 years	0.00%	—	—	0.00%	—	—	0.00%	—	—	0.00%	—	—
5 - 6 years	0.00%	—	—	0.00%	—	—	0.00%	—	—	0.00%	—	—
Individual customers	0.00%	—	—	0.00%	—	—	0.00%	—	—	0.00%	—	—
		168,508	—		367,011	—		702,383	(42,243)		690,785	(77,760)

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Financial risk management and fair values of financial instruments—continued

(b) Liquidity risk—continued

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at December 31, 2016					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts at December 31,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	1,312,798	238,987	156,130	—	1,707,915	1,618,577
Finance lease liabilities	68,595	—	—	—	68,595	67,183
Trade and other payables other than interest payable	1,687,271	—	—	—	1,687,271	1,687,271
	3,068,664	238,987	156,130	—	3,463,781	3,373,031

	As at December 31, 2017					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts at December 31,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	1,418,811	426,037	—	—	1,844,848	1,753,526
Trade and other payables other than interest payable	1,711,586	—	—	—	1,711,586	1,711,586
	3,130,397	426,037	—	—	3,556,434	3,465,112

	As at December 31, 2018					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts at December 31,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	1,612,185	359,526	53,943	—	2,025,654	1,941,782
Trade and other payables other than interest payable	1,930,686	—	—	—	1,930,686	1,930,686
	3,542,871	359,526	53,943	—	3,956,340	3,872,468

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Financial risk management and fair values of financial instruments—continued

(b) Liquidity risk—continued

	As at April 30, 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amounts at April 30,
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans and other borrowings	1,813,289	415,970	—	—	2,229,259	2,147,775
Trade and other payables other than interest payable	1,917,052	—	—	—	1,917,052	1,917,052
Lease liabilities	28,122	22,541	28,132	—	78,795	78,795
	3,758,463	438,511	28,132	—	4,225,106	4,143,622

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from long-term borrowings. Borrowings issued at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000
Fixed rate borrowings:										
Finance lease liabilities	4.75%	67,183	—	—	—	—	—	—	—	—
Bank loans and other borrowings	4.57% ~ 6.50%	1,203,900	4.70% ~ 9.00%	1,332,450	4.70% ~ 6.00%	1,024,000	4.70% ~ 9.00%	1,192,550	4.70% ~ 6.00%	1,024,000
Lease liabilities	—	—	—	—	—	—	—	—	5.0% - 5.5%	78,795
Variable rate borrowings:										
Bank loans and other borrowings	4.35% ~ 5.23%	414,677	4.35% ~ 6.00%	421,076	4.57% ~ 5.70%	917,782	4.57% ~ 6.00%	495,197	4.35% ~ 5.70%	1,123,775
Total borrowings		1,685,760		1,753,526		1,941,782		1,687,747		2,226,570
Fixed rate borrowings as a percentage of total borrowings		75%		76%		53%		71%		50%

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Financial risk management and fair values of financial instruments—continued

(c) Interest rate risk—continued

(ii) Sensitivity analysis

The following table details the effect on the Group's profit after tax for each year of the Relevant Periods and retained profits as at the end of each reporting period that an increase/decrease of 100 basis points in interest rates would have.

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	An increase of 100 basis points in interest rates	An decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	An decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	An decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	An decrease of 100 basis points in interest rates	An increase of 100 basis points in interest rates	An decrease of 100 basis points in interest rates
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Effect on:										
Profit after tax	(3,110)	3,110	(3,158)	3,158	(6,883)	6,883	(3,714)	3,714	(8,428)	8,428
Retained profits . .	(3,110)	3,110	(3,158)	3,158	(6,883)	6,883	(3,714)	3,714	(8,428)	8,428

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of each reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of each reporting period, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The Group is not exposed to currency risk.

(e) Fair value measurement

(i) Fair value hierarchy

The following table presents the fair value of the Group's properties and financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

– Level 3 valuations: Fair value measured using significant unobservable inputs.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Financial risk management and fair values of financial instruments—continued

(e) Fair value measurement—continued

(i) Fair value hierarchy—continued

	As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Investment property	—	—	259,608	259,608

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Investment property	—	—	273,574	273,574
Financial assets at fair value through profit or loss				
—Investment in wealth management products issued by banks	—	—	28,000	28,000

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Investment property	—	—	324,033	324,033
Financial assets at fair value through profit or loss				
—Investment in wealth management products issued by banks	—	—	—	—
—Equity investments	—	—	833,357	833,357

	As at April 30, 2019			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Recurring fair value measurement				
Investment property	—	—	324,033	324,033
Financial assets at fair value through profit or loss				
—Investment in wealth management products issued by banks	—	—	—	—
—Equity investments	—	—	1,060,292	1,060,292

During the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

32 Financial risk management and fair values of financial instruments—continued

(e) Fair value measurement—continued

(ii) Information about Level 3 fair value measurements

	Valuation techniques(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Investment property	Market comparison approach	Premium (discount) on quality of the buildings	The higher the premium/discount, the higher/lower the fair value
Investment in wealth management products issued by banks	Discounted cash flow model	Risk-adjusted discount rate	The higher the risk adjusted discount rate, the lower the fair value
Unlisted equity investments	Comparable transaction method	Price/Invested Capital ratio and Price/Book value ratio ("P/IC ratio" and "P/B ratio")	The higher the P/IC ratio and P/B ratio, the higher the fair value

The fair value of investment property is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square meter basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality buildings will result in a higher fair value measurement.

The fair value of investment in wealth management product issued by banks is determined by discounting the cash flow associated with the product using risk-adjusted discount rate which is the expected rate of return in the product manual. The fair value measurement is negatively correlated to the risk-adjusted discount rate. As at December 31, 2017, it is estimated that with all other variables held constant, a decrease/increase in risk-adjusted discount rate by 1% would not have significant impact on the Group's valuation gains on investment in wealth management products.

The fair value of unlisted equity investments is determined using the comparable transaction method. The key ratio used in the computation of fair value and the significant unobservable input used in the fair value measurement are P/IC ratio at 1.00 and P/B ratio at 1.16. The key assumptions of using P/IC ratio and P/B ratio under comparable transaction method are 1) the level-two Joint Factories are all in their respective initial set-up period or are yet to commence their operation, which is consistent with the Joint Factories in the comparable transactions; 2) they are making losses due to lack of economies of scales or have not yet commenced operation; 3) the accumulated losses incurred in the early stage of a company is not viewed as an impairment of initial investment cost under comparable transaction method. The fair value measurement is positively correlated to the P/IC ratio and P/B ratio. As at December 31, 2018 and April 30, 2019, it is estimated that with all other variables held constant, an increase/decrease in the P/IC ratio and P/B ratio by 1% would have increased/decreased the Group's valuation gains on equity investments by RMB8,334 thousand and RMB10,603 thousand.

(iii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at December 31, 2016, 2017 and 2018 and April 30, 2019.

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33 Commitments

(a) Capital commitments outstanding at December 31, 2016, 2017 and 2018 and April 30, 2019 not provided for in financial statements were as follows:

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	7,097	1,225	90,587	78,738

(b) At December 31, 2016, 2017 and 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at December 31,		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within 1 year	25,321	22,650	32,303
After 1 year but within 2 years	22,650	15,616	19,284
After 2 years but within 3 years	15,616	9,049	13,685
After 3 years but within 4 years	9,049	6,782	3,119
After 4 years but within 5 years	6,782	346	638
Thereafter	346	—	—
	79,764	54,443	69,029

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at January 1, 2019 to recognise lease liabilities relating to these leases (see note 2(d)). From January 1, 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 2(j), and the details regarding the Group's future lease payments are disclosed in note 27.

34 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Short-term employee benefits	2,984	3,414	5,215	3,113	3,450
Share-based payment	9,474	9,474	9,474	3,158	4,373
Post-employment benefits	132	136	205	68	74
	12,590	13,024	14,894	6,339	7,897

The remuneration is included in "staff costs" (see note 6(b)).

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Material related party transactions—continued

(b) Significant related party transactions

	Years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Sales of products to associates	538,815	1,369,698	995,810	314,041	62,171
Sales of products to entities controlled by the controlling shareholder	166,049	39,376	10,434	2,352	120
Sales of products to entities controlled by a close family member of controlling shareholder	85	9	6	—	—
Purchase of goods from associates	962	9,215	43,445	9,498	3,489
Purchase of goods from entities controlled by a close family member of controlling shareholder	8,431	6,913	322	147	443
Purchase of goods from entities controlled by the controlling shareholder	—	137	1,103	1	—
Purchase of commercial real estate from entity controlled by the controlling shareholder	15,853	—	—	—	—
Lease of properties from entities controlled by the controlling shareholder	419	797	717	239	279
Disposal of investments in subsidiaries	—	—	16,840	—	—
	730,614	1,426,145	1,068,677	326,278	66,502

(c) Balance with related parties

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors	332,901	482,322	361,498	225,887
Bills receivable	3,439	—	—	—
Prepayments	154	2,634	870	12
Other receivables	64,101	63,898	53,779	57,952
Other current assets	12,126	12,126	11,949	9,684
Trade creditors	(11,910)	(18,247)	(23,707)	(17,338)
Bills payable	(777)	(1,970)	(300)	—
Contract liabilities	(484,701)	(661,828)	(129,939)	(108,624)
Other payables	(5,928)	(6,751)	(452)	(10)
	(90,595)	(127,816)	273,698	167,563

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34 Material related party transactions—continued

(d) Guarantee provided by related parties

	Note	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at April 30, 2019
		RMB'000	RMB'000	RMB'000	RMB'000
Loans and borrowings	*24*				
—Guaranteed by Mr. Zhang Jian		2,355,000	2,395,000	215,775	—
—Guaranteed by Mrs. Liu Hui		—	200,000	—	—
—Guaranteed by Mr. Zhang Jian and Mrs. Liu Hui		400,000	1,162,000	900,000	—
		2,755,000	3,757,000	1,115,775	—

(e) Guarantee provided to related parties

	As at December 31, 2016	As at December 31, 2017	As at December 31, 2018	As at April 30, 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantee provided to associates				
—Bank loans	—	—	—	10,000
—Finance leases	—	—	22,750	—
	—	—	22,750	10,000

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Relevant Periods and which have not been adopted in the Historical Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to *References to the Conceptual Framework in IFRS Standards*	January 1, 2020
Amendments to IFRS 3, *Definition of a Business*	January 1, 2020
Amendments to IAS 1 and IAS 8, *Definition of Material*	January 1, 2020
IFRS 17, *Insurance Contracts*	January 1, 2021

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's result of operations and financial position.

36 Subsequent events

(a) Profit distribution

Pursuant to the shareholders' approval at the Annual General Meeting held on June 6, 2019, a final cash dividend of RMB1 per share based on 365,604 thousand ordinary shares totaling

B NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36 Subsequent events—continued

(a) Profit distribution—continued

RMB365,604 thousand in respect of the year ended December 31, 2018 was declared and was paid on June 12, 2019, June 13, 2019 and July 1, 2019.

(b) Post-acquisition

On July 1, 2019, the Company entered into an investment cooperation agreement with Cize Holding Limited ("Cize") to undertake and oblige that it will acquire a total of 35% equity interests in Industrial Park Grójec sp. z o.o. ("IPG") from Cize provided that IPG will become the owner of a designated land parcel in Poland. The total consideration will be PLN6,475,000 (equivalent to approximately RMB11.81 million). The completion of the post-acquisition shall take place by December 31, 2019. IPG will establish a factory on the land with a total estimated construction cost of PLN154,500,000 (equivalent to approximately RMB281 million) and operate prefabricated construction business in the town of Grójec, Poland.

From the date of incorporation on June 17, 2019 to the date of this report, IPG did not carry out any business.

As at the approval date of the financial statements, the Company has no other non-adjusting events which should be disclosed subsequent to the end of the balance sheet date.

C SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to April 30, 2019.

The information set forth in this appendix does not form part of the Accountants' Report prepared by KPMG, Certified Public Accountant, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

A UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets is prepared in accordance with paragraph 4.29 of the Listing rules and is set out below for the purpose of illustrating the effect of the Global Offering on the consolidated net tangible liabilities attributable to equity owners of the Company as if it had taken place on April 30, 2019.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as at April 30, 2019 or at any future dates.

	Consolidated net tangible assets attributable to equity owners of the Company as at April 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity owners of the Company per Share	
	Note 1	Note 2	Note 3	Note 4	Note 5
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on the Offer Price of HK$9.68 for each Share	2,738,299	968,995	3,707,294	7.61	8.44
Based on the Offer Price of HK$12.48 for each Share	2,738,299	1,265,791	4,004,090	8.21	9.11

Notes:

(1) The consolidated net tangible assets attributable to equity owners of the Company as at April 30, 2019 is based on the consolidated net assets of the Group of RMB2,924,341 thousand as at April 30, 2019 after an adjustment for the intangible assets of RMB186,042 thousand, as shown in the Accountants' Report set out in Appendix I to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 121,868,000 H Shares to be issued at the estimated Offer Prices of HK$9.68 and HK$12.48 per H Share, respectively, being the low-end price and high-end price, after deduction of the estimated underwriting fees and other estimated related expenses payable by the Company (excluding the listing expenses which have been accounted for prior to April 30, 2019) and take no account of any H Shares which may be issued upon the exercise of the over-allotment.

The estimated net proceeds from the Global offering is converted into Renminbi at an exchange rate of HK$1 to RMB0.90133 published by PBOC prevailing on October 15, 2019. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.

(3) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to equity owners of the Company to reflect our any trading results or other transaction entered into subsequent to April 30, 2019 including but not limited to the dividend declared on June 6, 2019. Had such dividend being declared on April 30, 2019, our unaudited pro forma adjusted consolidated net tangible assets attributable to equity owners of our Company as of April 30, 2019 would have been decreased by approximately RMB365,604 thousand, and our unaudited pro forma adjusted consolidated net tangible assets per Share would have been decreased by approximately RMB0.75 (HK$0.83).

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 487,472,000 Shares in issue immediately following the completion of the Global Offering assuming that the Global Offering has been completed on April 30, 2019 but taking no account of any H Shares which may be issued upon the exercise of the Over-allotment Option.

(5) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1 to RMB0.90133 published by PBOC prevailing on October 15, 2019. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rate or at all.

B REPORT ON THE PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this prospectus.

KPMG

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF CHANGSHA BROAD HOMES INDUSTRIAL GROUP CO., LTD.

We have completed our assurance engagement to report on the compilation of pro forma financial information of Changsha Broad Homes Industrial Group Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at April 30, 2019 and related notes as set out in Part A of Appendix II to the prospectus dated October 24, 2019 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at April 30, 2019 as if the Global Offering had taken place at April 30, 2019. As part of this process, information about the Group's financial position as at April 30, 2019 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at April 30, 2019 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our procedures on the pro forma financial information have not been carried out in accordance with attestation standards or other standards and practices generally accepted in the United States of America, auditing standards of the Public Company Accounting Oversight Board (United States) or any overseas standards and accordingly should not be relied upon as if they had been carried out in accordance with those standards and practices.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Opinion

In our opinion:

a) the pro forma financial information has been properly compiled on the basis stated;

b) such basis is consistent with the accounting policies of the Group, and

c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

KPMG
Certified Public Accountants
Hong Kong
October 24, 2019

The following is the text of a letter, value and valuation certificate, prepared for the purpose of incorporation in this prospectus received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as of August 31, 2019 of the property interest of the Company.

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

23rd Floor, Siu On Centre, No. 188 Lockhart Road,
Wan Chai, Hong Kong

TEL : (852) 3702 7338 FAX : (852) 3914 6388
info@avaval.com
www.avaval.com

October 24, 2019

The Board of Directors
Changsha Broad Homes Industrial Group Co., Ltd.
No. 248 Yinshuang Road Yuelu District,
Changsha City, Hunan Province,
The PRC

Dear Sirs / Madams,

INSTRUCTIONS

In accordance with the instructions of Changsha Broad Homes Industrial Group Co., Ltd. (the "Company") for us to carry out the valuation of the property interest held by the Company and its subsidiaries (hereinafter together referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interest as of August 31, 2019 (the "valuation date").

PREMISES OF VALUE

The valuation is our opinion of market value which is defined by the Hong Kong Institute of Surveyors as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

BASIS OF VALUATION

In valuing the property interest, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited ("Listing Rules"), the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and the International Valuation Standards published from time to time by the International Valuation Standards Council.

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

VALUATION METHODOLOGY

We have valued the property interest by market approach by making reference to comparable market transactions in our assessment of the property interest. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

TITLE INVESTIGATION

We have been provided by the Company with copy of extract of the title documents relating to the property interest. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrances that might be attached to the property interest or any amendments which may not appear on the copies handed to us.

However, we have not searched the original documents to verify ownership or to ascertain any amendment. Due to the current registration system of the PRC under which the registration information is not accessible to the public, no investigation has been made for the title of the property interest in the PRC and the material encumbrances that might be attached. In the course of our valuation, we have relied considerably on the legal opinion given by the Company's PRC legal adviser—Jia Yuan Law Offices, concerning the validity of title of the properties in the PRC.

SITE INVESTIGATION

We have inspected the exterior and, where possible, the accessible portions of the interior of the properties being appraised. The inspection was carried out by Ms. Hailey Jin (Director of AVISTA Valuation Advisory Limited) , Ms. Sasha Zhang (Senior Analyst of AVISTA Valuation Advisory Limited) and Mr. Michael Fang (Analyst of AVISTA Valuation Advisory Limited) on 15 October 2018. However, we have not been commissioned to carry out structural survey nor to arrange for an inspection of the services. We are, therefore, not able to report whether the properties are free of rot, infestation or any other structural defects. We formulate our view as to the overall conditions of the properties taking into account the general appearance, the apparent standard and age of fixtures and fittings and the existence of utility services. Hence it must be stressed that we have had regard to you with a view as to whether the buildings are free from defects or as to the possibility of latent defects which might affect our valuation. In the course of our inspection, we did not note any serious defects. No tests were carried out on any of the services. We have assumed that utility services, such as electricity, telephone, water, etc., are available and free from defect.

We have not arranged for any investigation to be carried out to determine whether or not high alumina cement concrete or calcium chloride additive or pulverized fly ash, or any other deleterious material has been used in the construction of the properties. We are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that deleterious material has not been used in the construction of the properties.

We have not been commissioned to carry out detailed site measurements to verify the correctness of the land or building areas in respect of the properties but have assumed that the areas provided to us are correct. Based on our experience of valuation of similar properties, we consider the assumptions so made to be reasonable.

Moreover, we have not carried out any site investigation to determine the suitability of the ground conditions or the services for any property development erected or to be erected thereon. Nor did we undertake archeological, ecological or environmental surveys for the property interest. Our valuation is prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. Should it be discovered that contamination, subsidence or other latent defects exists in the properties or on adjoining or neighboring land or that the properties had been or are being put to contaminated use, we reserve right to revise our opinion of value.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Company or the legal or other professional advisers on such matters as statutory notices, planning approval, zoning, easements, tenure, completion date of building, development proposal, identification of property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters. Dimensions, measurements and areas included in the valuation certificate are based on information contained in the documents provided to us and are therefore approximations and for reference only. We have not searched original plans, developer brochures and the like to verify them.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

VALUATION ASSUMPTIONS

For the properties which are held under long term land use rights, we have assumed that transferable land use rights in respect of the property interest at nominal land use fees has been granted and that any premium payable has already been fully settled. Unless stated as otherwise, we have assumed that the respective title owner of the properties have an enforceable title of the property interest and have free and uninterrupted rights to occupy, use, sell, lease, charge, mortgage or otherwise dispose of the properties without the need of seeking further approval from and paying additional premium to the Government for the unexpired land use term as granted. Unless noted in the report, vacant possession is assumed for the property concerned.

Moreover, we have assumed that the design and construction of the properties are/will be in compliance with the local planning regulations and requirements and had been/would have been duly examined and approved by the relevant authorities.

Continued uses assumes the properties will be used for the purposes for which the properties are designed and built, or to which they are currently adapted. The valuation on the property in continued uses does not represent the amount that might be realized from piecemeal disposition of the property in the open market.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed. Moreover, it is assumed that all required licenses, consents or other legislative or administrative authority from any local, provincial or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

It is also assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in the valuation report. In addition, it is assumed that the utilization of the land and improvements are within the boundaries of the properties described and that no encroachment or trespass exists, unless noted in the report.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have further assumed that the properties were not transferred or involved in any contentious or non-contentious dispute as of the valuation date. We have also assumed that there was not any material change of the properties in between dates of our inspection and the valuation date.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all amounts are denominated in Renminbi (RMB). The valuation certificate is attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Sr Oswald W Y Au
MHKIS(GP) AAPI MSc(RE)
Registered Professional Surveyor (GP)
Director

Note: Mr. Oswald W Y Au holds a Master's Degree of Science in Real Estate from the University of Hong Kong. He is also a member of Hong Kong Institute of Surveyors (General Practice) and Associate Member of Australian Property Institute. In addition, he is a Registered Professional Surveyor (General Practice) registered with Surveyors Registration Board. He has over 10 years' experience in the valuation of properties including Hong Kong, the PRC, the U.S., Canada, East and Southeast Asia including Singapore, Japan and Korea.

VALUATION CERTIFICATE

Property interest contracted to be acquired and to be held for investment by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Market value Attributable to the Company as of August 31, 2019 RMB
Various commercial units on Level 1 – 3 of Block Nos. 14 –18, located at No. 709, Jianshan Road, Yuelu District, Changsha City, Hunan Province, The PRC	The property comprises various commercial units on Level 1 – 3 of Block Nos. 14 – 18 within a residential development known as Lugu Town— Hongyun Street (麓穀小鎮· 紅運街) completed in around 2016. The property have a total gross floor area of approximately 15,798.13 sq.m.. with the details below: **Level** / **Gross Floor Area (sq.m.)** Level 1 . . . . . 6,600.40 Level 2 . . . . . 6,954.01 Level 3 . . . . . 2,243.72 **Total:** . . . . . . **15,798.13** The property is located at Yuelu District, Changsha City, with approximately 13km to Changsha Train station and 34km to Changsha Huanghua International Airport The land use rights of the property have been granted for a term expiring on November 25, 2083 for residential use. As mentioned in note 2, the usage of the subject property under the 5 Pre-sales permits are granted for commercial sue.	As advised by the Company, portion of property with a gross floor area of approximately 5,029.20 sq.m. has been leased to various independent third parties, while the remaining portion with a gross floor area of approximately 10,768.93 sq.m. is vacant and pending to let as of the date of valuation.	No Commercial Value (100% interest attributable to the Company: No commercial Value)

Notes:

(1) Pursuant to 103 Sales and Purchase Agreements entered into between Hunan Jinshanhu Real Estate Co., Ltd. (湖南金尚湖置業有限公司) and the Company, the property with a total gross floor area of approximately 15,798.13 sq.m. for commercial at a total consideration of approximately RMB246,461,414.10.

(2) Pursuant to 5 Pre-sales Permits of Block Nos. 14 -18 in favour of Hunan Jinshanhu Real Estate Co., Ltd. (湖南金尚湖置業有限公司), which is entitled to sell the properties with a total gross floor area of approximately 16,167.79 sq.m.. The details are tabulated as below:

Pre-sales Permit	Block No.	Usage	Gross Floor Area (sq.m.)	Date of Issue
Chang Gao Xin Jian Shou Xu Zi (XX15) Di No. 0053 Bian Geng	14#	Commercial	1,095.92	15-Dec-2018
Chang Gao Xin Jian Shou Xu Zi (XX15) Di No. 0054 Bian Geng	15#	Commercial	1,860.98	15-Dec-2018
Chang Gao Xin Jian Shou Xu Zi (XX15) Di No. 0055 Bian Geng	16#	Commercial	1,925.53	15-Dec-2018
Chang Gao Xin Jian Shou Xu Zi (XX15) Di No. 0057 Bian Geng	17#	Commercial	1,435.07	15-Dec-2018
Chang Gao Xin Jian Shou Xu Zi (XX15) Di No. 0056 Bian Geng	18#	Commercial	9,850.29	15-Dec-2018
		Total:	**16,167.79**	

As advised by the Company, 5 units of Block No. 18 and 1 unit of Block No. 14 with a total gross floor area of approximately 369.69 sq.m. has been sold to 6 independent third parties for a total consideration of RMB10,017,891.61.

(3) In valuation of this property, we have attributed no commercial value to the property which has not obtained any Building Ownership Certificate. However, for the reference purpose, we are of the opinion that the reference value of the property as of the date of valuation would be RMB318,050,000 assuming that Building Ownership Certificate has been obtained and the property could be freely transferred.

(4) Pursuant to 49 tenancy agreements, No. of 49 commercial units with a total gross floor area of approximately 5,029.20 sq.m. has been leased to various independent third parties at a total monthly rent of approximately RMB577,890.73 with the latest term expiring on July 28, 2027.

(5) We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

a. Hunan Jinshanhu Real Estate Co., Ltd. (湖南金尚湖置業有限公司) had obtained permission and approval in relation to the construction of the development;

b. The Company had signed the relation Sales and Purchase Agreement with Hunan Jinshanhu Real Estate Co., Ltd. (湖南金尚湖置業有限公司) and the consideration payable has been settled; and

c. In the case that the application is fulfill the relevant authority's requirement, there is no substantive legal obstacle for the Company to obtain the Building Ownership Certificate mentioned in note 3.

(6) A summary of major certificates/licenses is shown as follow:

a.	Sales and Purchase agreement	Yes
b.	Pre-sales Permit	Yes

(7) In our valuation, we have made reference to the transaction record of the development and some asking price references of some commercial property which have characteristics comparable to the subject property. We have adopted the range of unit rates of between RMB23,000 – RMB38,000/sq.m. for commercial unit on Level 1, and RMB10,000 – RMB17,000/sq.m. for commercial unit on Level 2 – 3. The unit rates assumed by us are consistent with the said price reference. Due adjustments to the unit rates of those price reference have been made to reflect factors including but not limited to time, location and size in arriving at the key assumptions.

(8) As confirmed by the Company, there are no material environmental and planning issues.

TAXATION OF SECURITY HOLDERS

Taxation

The following is a summary of certain PRC and Hong Kong tax consequences arising from ownership of H Shares by investors who purchase such H Shares in the Global Offering and hold the H Shares as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect. This section does not address any aspect of taxation of the PRC or Hong Kong other than income tax, capital tax, value-added tax, stamp duty and estate duty. Prospective investors are advised to consult their own tax advisers regarding the PRC, Hong Kong and other tax consequences of investing in H Shares.

PRC TAXATION

I. Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) promulgated by the Standing Committee of the National People's Congress of the People's Republic of China (the "SCNPC") on March 16, 2007 and last revised on December 29, 2018 and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007 and last revised on April 23, 2019, domestic and foreign investment enterprises established under the laws of foreign countries or regions and whose de facto management bodies are located within the PRC are considered resident enterprises, and will be generally subject to enterprise income tax at the rate of 25% on their global income. The Enterprise Income Tax Law defines de facto management bodies as establishments that carry out substantial and overall management and control over production and operations, personnel, finance and properties of the enterprise. If an enterprise is considered a PRC resident enterprise under the above definition, its global income will be subject to enterprise income tax at the rate of 25%. The Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of their Body of Actual Management (《關於境外註冊中資控股企業依據實際管理機構認定為居民企業有關問題的通知》) promulgated by the SAT on April 22, 2009 and became effective on January 1, 2008 and last revised on December 29, 2017 sets up a more specific definition on the place-of-effective-management test.

In addition, under the Enterprise Income Tax Law of the People's Republic of China and the Notice on Issues Concerning Implementation of the Preferential Income Tax for State Hi-Tech Enterprises (《關於實施國家高新技術企業所得稅優惠有關問題的通知》) promulgated by the State Administration of Taxation of the People's Republic of China on April 22, 2009 and implemented on January 1, 2008, high-tech enterprises that need the key support of the state shall have their enterprise income tax rate reduced to 15%. The High-Tech Areas Entitled to the Key Support of the State (《國家重點支持的高新技術領域》), the Administrative Measures for Determination of High-Tech Enterprises (《高新技術企業認定管理辦法》) and the Enterprise Income Tax Law regulate the categories of enterprises that are eligible for enjoying tax reduction.

II. Value Added Tax

Pursuant to the Interim Regulations on Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and last revised on November 19, 2017 and the Detailed Rules for the Implementation of the Interim Regulations on Value Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance on December 25, 1993 and last revised on October 28, 2011, entities and individuals selling goods or providing processing services, repair services and importation services in the PRC shall be subject to Value Added Tax, and the tax payable shall be calculated by deducting input tax for the current period from output tax for the current period.

Pursuant to the Notice on the Implementation of the Pilot Program of Replacing Business Tax with Value Added Tax in an All-Round Manner (《關於全面推開營業稅改徵增值稅試點的通知》) jointly promulgated by the MOF and SAT on March 23, 2016, the countrywide pilot practice of levying value added tax in lieu of business tax has been carried out since May 1, 2016. Pursuant to the specific regulatory documents, including the Implementation Measures for the Pilot Practice of Levying Value Added Tax in lieu of Business Tax (營業稅改徵增值稅試點實施辦法), the value added tax rates vary from 17%, 11%, 6% to 0% for taxpayers incurring taxable activities.

Pursuant to Notice on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) jointly promulgated by the MOF and SAT promulgated on April 4, 2018, since May 1, 2018, the value added tax rates shall be adjusted to 16% or 10% from originally 17% and 11% for taxpayers incurring taxable sales activities or importing goods. According to the Circular on Policies Concerning Deepening the Reform of Value Added Tax (關於深化增值稅改革有關政策的公告) promulgated by MOF, SAT and General Administration of Customs on March 20, 2019, which will take effective on April 1, 2019, the value added tax rates shall be adjusted to 13% or 9% from originally 16% and 10% for taxpayers incurring taxable sales activities or importing goods.

III. Land Use Tax

Pursuant to the Interim Regulations Governing Land Use Tax in Cities and Towns of the People's Republic of China (《中華人民共和國城鎮土地使用稅暫行條例》) promulgated by the State Council on September 27, 1988 and last revised on March 2, 2019, entities and individuals which use land within the boundaries of cities, counties, towns operated under an organizational system and mining industrial districts shall be the obligatory taxpayer for land use tax in cities and towns and shall be subject to land use tax. The annual land use tax per square meter is as follows: (i) RMB1.5 to RMB30 in large cities; (ii) RMB1.2 to RMB24 in medium cities; (iii) RMB0.9 to RMB18 in small cities; and (iv) RMB0.6 to RMB12 in counties, towns operated under an organizational system and mining industrial districts.

IV. Dividend tax

(I) Individual Investors

Pursuant to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and the Regulation on the Implementation of Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), dividends paid to individual investors by a PRC company shall be subject to withholding tax at the rate of 20%. Meanwhile, according to the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) promulgated by the MOF, the SAT and the China Securities Regulatory Commission on September 7, 2015 and implemented on September 8, 2015, where an individual acquires the stocks of a listed company from public offering and the stock market, if the stock holding period is less than one month (inclusive), the income from dividends and bonuses shall be included into the taxable income in full amount; if the stock holding period is more than one month and up to one year (inclusive), the income from dividends and bonuses shall be included into the taxable income at the rate of 50% for the time being; individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%.

For the foreign individuals who are not PRC residents, individual income tax on dividends received from a PRC company shall be collected at the rate of 20%, unless there is special exemption approved by the tax department of the State Council or special deduction permitted by applicable tax agreement.

Pursuant to the Notice on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No.045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) promulgated by the SAT on June 28, 2011, where a domestic non-foreign invested enterprise which issues shares in Hong Kong distributes dividends and bonuses, its foreign resident individual shareholders can enjoy relevant tax incentives in accordance with tax treaties signed between their countries of residence and the PRC as well as the provisions of tax arrangements between the Mainland China and Hong Kong (Macau). In view of the situation that the relevant dividends withholding rate regulated in the aforesaid tax treaties and tax arrangements is normally 10%, individual income tax may be withheld at the rate of 10% in general, and the application procedure is not required. As for the situation that the dividends withholding rate is not 10%, the following regulations shall apply: (i) Where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is lower than 10%, the withholding agent shall, in accordance with the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements (《非居民納稅人享受稅收協定待遇管理辦法》) (Announcement of the SAT (No. 60 [2015])) promulgated by the SAT, refund the additional tax withheld; (ii) Where an individual who has earned the dividends is the resident of a country with which the conventional tax rate is higher than 10% and lower than 20%, the withholding agent shall withhold the individual income tax in accordance with the actual conventional tax rate when distributing dividends and bonus, and the application procedure is not required; (iii) Where an individual who has earned the dividends is the resident of a country which has not signed a tax treaty with the PRC and in other cases, the withholding agent shall withhold the individual income tax at the rate of 20% when distributing dividends and bonus.

(II) Enterprise Investors

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China, a non-resident enterprise that does not have an establishment or a place of business in the PRC, or whose income has no actual relationship with such establishment or place of business, shall be subject to enterprise income tax on its income deriving from the PRC at the rate of 10%. Withholding tax may be reduced upon application and its approval pursuant to a double taxation treaty.

Pursuant to the Notice Concerning Issues on Withholding and Payments of Enterprise Income Tax when PRC Resident Enterprises Distribute Dividends to Foreign Non-Resident Corporate Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) promulgated by the SAT on November 6, 2008 and effective on the same date, a PRC resident enterprise distributing dividends for the year of 2008 and onwards to foreign non-resident corporate shareholders of H shares shall withhold and pay enterprise income tax at a uniform rate of 10%. A foreign non-resident enterprise shareholder of H shares may apply to the competent taxation authorities for relevant treatment under the tax treaties (arrangements), and upon verification, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

Pursuant to the requirements of the Response to Issues on Enterprise Income Tax over Dividend of B-Shares and Other Shares Received by Non-Resident Enterprises (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394) promulgated by the SAT on July 24, 2009 and effective on the same date, a PRC resident enterprise that publicly issues shares inside and outside the PRC shall withhold and pay enterprise income tax at a uniform rate of 10% when distributing dividends to non-resident enterprise shareholders for the year of 2008 and onwards. Non-resident enterprise shareholders entitled to preferential tax treatment shall make registration in accordance with the relevant provisions of the tax treaties.

Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Income Tax (《內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排》) signed by Mainland China and Hong Kong on August 21, 2006 in respect of income tax matters and last revised on April 1, 2015, the PRC government may impose tax on dividends payable by a PRC company to a Hong Kong resident (including a natural person and a corporate entity), but such tax amount shall not exceed 10% of the gross amount of dividends payable, and in the case where a Hong Kong resident holds at least a 25% equity interest in a PRC company, such tax amount shall not exceed 5% of the gross amount of dividends payable by the PRC company after an application is made to and approved by the PRC taxation authority.

V. Capital Gains Tax

(I) Individual Investors

Pursuant to the Enterprise Income Tax Law of the People's Republic of China promulgated by the Standing Committee of the National People's Congress of the People's Republic of China on March 16, 2007 and last revised on December 29, 2018 and the Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China promulgated by the State Council on December 6, 2007 and last revised on April 23, 2019, any gains realized on the sale of equity interests in PRC resident enterprises by individual investors are subject to income tax at the rate of 20%, except as reduced pursuant to the relevant double taxation terms.

(II) Enterprise Investors

If a non-resident enterprise does not have an establishment or a place of business in the PRC, or has an establishment or a place of business in the PRC, whose income deriving from the PRC, however, has no relationship with the establishments and places of business mentioned above, the non-resident enterprise, in general, shall pay enterprise income tax at the rate of 10% in respect of the income deriving from the PRC (including income deriving from the disposal of equity interests of a PRC resident enterprise), although such withholding tax may be reduced pursuant to a double taxation treaty or agreement.

VI. Taxation Policies for Shanghai-Hong Kong Stock Connect

In accordance with the Circular on the Relevant Taxation Policy regarding the Pilot Programme that Links the Stock Markets in Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), which was jointly promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on October 31, 2014 and came into effect from November 17, 2014, Enterprise income tax will be levied according to law on the transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Pursuant to the Notice on the Policies of the Individual Income Tax Concerning Continuing to Implement the Shanghai-Hong Kong Stock Connect (《財政部、稅務總局、證監會關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) which was promulgated by the Ministry of Finance, the State Administration of Taxation and the CSRC on November 1, 2017 and came into effect on November 17, 2017, gains on price difference from transfer of shares derived by mainland individual investors through investment into shares listed on the Hong Kong Stock Exchange via the Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax from November 17, 2017 to December 4, 2019. For dividends and bonus obtained by mainland individual investors investing in H stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the H-stock companies shall apply to China Securities Depository and Clearing Co., Ltd. (hereinafter referred to as "CSDCC") for provision by CSDCC to the H-stock companies register of mainland individual investors, and the H-stock companies shall withhold individual income tax at the rate of 20%.

Enterprise income tax will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise incomes from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H stocks for at least 12 consecutive months. For dividend and bonus income obtained by mainland enterprise incomes, the H-stock companies will not withhold dividend and bonus income tax for mainland enterprise incomes. The tax payable shall be declared and paid by the enterprises themselves.

VII. Taxation Policy for Shenzhen-Hong Kong Stock Connect

Pursuant to the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shenzhen and Hong Kong (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》) which was jointly promulgated by the Ministry of Finance, the State Administration of Taxation and CSRC on November 5, 2016 and came into effect on December 5, 2016, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect from December 5, 2016 to December 4, 2019. Enterprise income tax will be levied according to law on price difference (included in total income) derived from investment by mainland enterprise incomes in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect.

For dividends and bonus income obtained by mainland individual investors investing in H stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the H-stock companies shall apply to CSDCC for provision by CSDCC to the H-stock companies register of mainland individual investors, and individual income tax shall be withheld by CSDCC at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDCC by producing the tax credit document. For dividends and bonus income obtained by mainland securities investment funds investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, individual income tax will be levied according to the foresaid provisions.

Enterprise income tax will be levied according to law on dividend and bonus income (included in total income) obtained by mainland enterprise incomes from investing in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend and bonus income obtained by mainland resident enterprises which hold H stocks for at least 12 consecutive months. The H-stock companies listed on Hong Kong Stock Exchange shall apply to CSDCC for provision by CSDCC to the H-stock company register of mainland individual investors, and the H-stock companies will not withhold dividend and bonus income tax for mainland enterprise incomes. The tax payable shall be declared and paid by the enterprises themselves.

VIII. Stamp Duty

According to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) which was promulgated by State Council on August 6, 1988 and last amended on January 8, 2011, and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) which was promulgated by State Council on September 29, 1988 and last amended on November 5, 2004, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty does not apply to acquisitions or dispositions of H shares outside PRC.

IX. Estate Duty

The PRC currently has not imposed any estate duty.

HONG KONG TAXATION

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax (which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses) unless an exemption applies. From the year of assessment 2018/19, a concessionary tax rate (i.e. half of the current tax rate) can apply to corporations or unincorporated businesses for the first HK$2 million of assessable profits subject to applicable conditions. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE CONTROL OF THE PRC

According to the Foreign Exchange Regulations of PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 and revised on August 5, 2008, the foreign exchange income and expenses and the foreign exchange operations from Chinese institutions and individuals, and the foreign exchange income and expenses and foreign exchange operations carried out within the territory of the PRC by overseas institutions and individuals are governed by the Foreign Exchange Regulations. Renminbi are freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but are not freely convertible for capital expenditure such as direct investment, loans or investments in securities outside the PRC unless the approval of SAFE or its local bureau is obtained in advance.

According to the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by SAFE and implemented on December 26, 2014, a domestic issuer shall, within 15 working days after the completion of the offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. The proceeds raised from overseas listing of a domestic issuer can be repatriated to the PRC or deposited overseas, and the usage of such proceeds shall be consistent with the purpose as specified in the prospectus and other disclosure documents. Approval by the SAFE is needed to convert the funds in the domestic designated account to Renminbi.

Pursuant to the Circular on Further Simplifying and Improving Direct Investment Foreign Exchange Administration Policies (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) which was issued by the SAFE on February 13, 2015 and effective on June 1, 2015, the foreign exchange management policy for direct investment was more simplified, including canceling two management approvals, namely, the foreign exchange registration approval under domestic and overseas direct investment (which should be directly approved by the bank); the simplification of the administration of the confirmation and registration of foreign investors' equity contribution under domestic direct investment; and canceling annual inspection of the direct investment-related foreign exchange.

According to the Notice on Revolutionize and Regulate Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

I. PRINCIPAL REGULATORY AUTHORITIES

According to the Notice of the National Bureau of Statistics Concerning the Implementation of the National Standard of the New Industrial Classification for National Economic Activities (《國家統計局關於執行新國民經濟行業分類國家標準的通知》) (GB/T4754-2017) promulgated and implemented by the National Bureau of Statistics on August 29, 2017, the industry the Company specializing in is the building construction business (E47) of the construction industry (E). According to the Guidelines for the Industry Classifications of Listed Companies (2012 Amendment), the industry the Company specializing in is the building construction business (E47) of the construction industry (E).

The Company provides industrial construction services by using self-developed PC components and parts. The industry the Company specializing in mainly falls into the macro-economic management of the National Development and Reform Commission, the Ministry of Industry and Information Technology and the MOHURD, subject to the supervision of the safety production supervision and management departments, the quality supervision department and the environmental protection department, and is also guided and served by the self-disciplinary organizations such as the China Construction Industry Association.

1. The main duties of the National Development and Reform Commission of the People's Republic of China are: to prepare and implement strategies of national economic and social development, medium and long-term plans and annual plans, to coordinate the economic and social development; to monitor the macroeconomic and social development; to undertake the responsibility for forecast and information guidance; to study important issues such as macroeconomic operation, general equilibrium, national economic security and overall industrial security, and to put forward macro control policies and suggestions, to coordinate and solve major problems in economic operations, and to regulate economic operations. To undertake the responsibility of planning the layout of key construction projects and productivity, formulating regulatory targets, policies and measures concerning the total size and structure of fixed asset investment in the whole society, arranging and coordinating dedicated plans that involve central government investment and key construction projects in accordance with balanced needs.

2. The main duties of the Ministry of Industry and Information Technology of the People's Republic of China are: to propose new industrialization development strategies and policies, to coordinate and solve major problems in the process of new industrialization, to formulate development plans in relation to industry, telecommunications and information technology and organize the implementation thereof, and to promote the strategic adjustment, optimization and upgrading of industrial structure; to promote informatization and industrial integration; to formulate industry plans, plans and industry policies in relation to industry and telecommunications and organizing the implementation thereof, to make policy recommendations on the optimization of the layout and structure of the industry, to draft relevant laws and regulations, to formulate rules, industrial technical specifications and standards and organize the implementation thereof, as well as guiding the quality management works in the industry.

3. The main duties of the Ministry of Housing and Urban-Rural Development of the People's Republic of China are: to assume responsibility for regulating the order of housing and urban and rural construction management. Responsible for establishing a scientific and standardized engineering construction standard system. To organize and formulate national standards for the

implementation of engineering construction, to formulate and publish unified national quotas and industry standards for project construction, to formulate management methods for feasibility study and evaluation methods, economic parameters, construction standards and project cost of construction projects, and to formulate construction standards for public service facilities (excluding communication facilities) and to supervise the implementation, to guide and supervise the implementation of various engineering construction standards and project cost pricing, and to organize and release the cost information of the project. To assume the responsibility of regulating the order of the real estate market and supervising the management of the real estate market. To monitor the management of the construction market and to standardize the behavior of all parties in the market. To give guidance on national construction activities, to organize the supervision and enforcement of housing and municipal engineering projects bidding activities, to formulate rules and regulations for survey and design, construction and construction supervision, and to supervise and guide the implementation, to formulate industry development strategies for engineering construction, construction industry, survey and design, medium and long-term plans, reform plans, industrial policies, rules and regulations, and to supervise the implementation, and to formulate rules and regulations for regulating the behavior of all parties in the construction market and to supervise the implementation.

4. The Ministry of Commerce of the PRC and its local commerce departments are responsible for the supervision and administration of the qualifications and bidding processes of enterprises contracting for overseas projects and the establishment of any overseas entities through outbound investments by such enterprises, as well as foreign investments in the construction industry.

5. The Ministry of Emergency Management is responsible for comprehensive supervision and management of safety production and supervision and management of safety production of industry, mining commercial and trading industries. The safety production supervision and management departments under the government at or above county level are in charge of comprehensive supervision and management of safety production in their respective jurisdictions.

6. The State Administration for Market Regulation is responsible for integrated supervision and management of the market, conducting uniform registration of market unity and setting up information disclosable and sharing mechanism, organizing market supervision and comprehensive law enforcement, conducting anti-monopoly unified enforcement, standardizing and maintaining market order, organizing strategy for nation of producing goods with quality, and for quality safety of industrial products, food safety, supervision of special equipment safety, conducting unified management of measurement standard, inspection and detection, certification and accreditation.

7. The Ministry of Ecology and Environment and local competent environmental protection departments are responsible for overall planning, coordination, supervision and management of major ecological and environmental problems, managing environmental protection issues on construction projects, including examining and approving the environmental impact assessment documents regarding the construction projects, assessing and reviewing the environmental impacts of the work, evaluating the enterprise qualification and checking the environmental protection facilities of the construction projects.

II. SELF-DISCIPLINARY ORGANIZATIONS OF THE INDUSTRY

Except for the supervision of the above competent departments, enterprises in the domestic construction industry and concrete structure industry are also subject to the guidance of the coordination organization and acquire relevant services. The coordination organization of the industry mainly refers to the China Construction Industry Association, which is registered in the PRC and voluntarily formed by enterprise and institution, local association, functional association, social community and relevant professionals engaging in the construction industry. It is a national, industry-oriented, and non-profit making social organization with the qualification of corporate legal entity.

III. INDUSTRY POLICIES

1. The Catalogs of Industries for Guiding Foreign Investment（《外商投資產業指導目錄》）（promulgated by the State Development Planning Commission, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation on June 20, 1995, latest amended on June 28, 2017 and became effective on July 28, 2017） and Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Edition) (《外商投資准入特別管理措施(負面清單) (2019年版)》) promulgated by the NDRC and MOFCOM on June 30, 2019 and became effective on July 30, 2019. The Catalogs of Industries for Guiding Foreign Investment is adopted to manage and direct the foreign investment. The Catalogs of Industries for Guiding Foreign Investment divides industries into three categories: encouraged, restricted, prohibited. On June 30, 2019, the NDRC and MOFCOM promulgated the Catalogue of Encouraged Industries for Foreign Investment (2019 Edition), and upon the promulgation of such regulations, the encouraged category under the Catalogs of Industries for Guiding Foreign Investment (2017 Revision) (《外商投資產業指導目錄（2017年修訂）》) shall be abolished at the same time. The production of the precast concrete of Broad Homes and its subsidiaries do not fall into the categories of the prohibited or the restricted in the Special Administrative Measures for Foreign Investment Access (Negative List) (2019 Edition).

2. Certain Opinions of the Central Committee of the Communist Party of China and the State Council on Further Strengthening the Urban Planning and Development Management (《中共中央、國務院關於進一步加強城市規劃建設管理工作的若干意見》)

   It proposes to develop a new construction method, vigorously promotes prefabricated construction, reduces construction waste and dust pollution, shortens the construction lead time and improves the work quality. It formulates a standard for the design, construction and acceptance of prefabricated construction. It perfects the parts and components standard and realizes the industrialization of construction parts and components. It encourages construction enterprises to carry out prefabrication and assemble on site. It establishes national-level prefabricated construction production bases; increases policy support and strives to enable the number of prefabricated construction accounting for 30% of the number of the newly constructed buildings around a decade. It actively and prudently generalizes steel framed buildings and advocates the development of modern wood construction, if permitted.

3. The Opinions of the State Council on Promoting the Sustainable and Healthy Development of the Construction Industry (Guo Ban Fa [2017] No.19) （《國務院辦公廳關於促進建築業持續健康發展的意見》（國辦發[2017]19號））

   It proposes to popularize intelligent and prefabricated construction, adheres to standardized design, industrialization, prefabricated construction, integrated decoration, information management, intelligent applications, promotes innovative construction methods, vigorously develops fabricated concrete and steel structure, and advocates the development of modern wood structure in qualified places, constantly increases the proportion of fabricated buildings in newly constructed buildings. It strives to enable the number of prefabricated buildings accounting for 30% of the number of the newly constructed buildings around a decade. It promotes the popularization of intelligent applications in the renovation of newly constructed buildings and existing buildings, improves the operation and maintenance mechanism of intelligent systems, and makes buildings comfortable, safe, energy-saving and efficient.

4. The Guiding Opinions of the General Office of the State Council on Vigorously Developing Prefabricated Buildings (Guo Ban Fa [2016] No.71)（《國務院辦公廳關於大力發展裝配式建築的指導意見》（國辦發[2016]71號））

   It proposes to perfect related standard, speed up to prepare national standards, industry standards and local standards for prefabricated buildings; innovates architectural design for prefabricated buildings; optimizes the production of prefabricated parts and components; improves the standard of construction; promotes fully-furnished units to coordinate the construction among prefabricated construction decoration, the main structure and mechanical and electrical equipment; encourages the use of green materials; promotes the general contracting business. In principal, prefabricated buildings should apply the general contracting mode and can be tendered based on the criterion of technically complex projects.

5. The Notice of the General Office of the State Council on Forwarding the Green Building Action Plan of the MOHURD of the National Development and Reform Commission (Guo Ban Fa [2013] No. 1)（《國務院辦公廳關於轉發發展改革委住房城鄉建設部綠色建築行動方案的通知》（國辦發[2013]1號））

   The key tasks of the Green Building Action Plan are to effectively grasp the energy-saving work of new buildings, vigorously promote the energy-saving renovation of existing buildings, carry out the transformation of the urban heating system, promote the large-scale application of renewable energy buildings, strengthen the energy-saving management of public buildings, accelerate the research and development of technologies related to green buildings, vigorously develop green building materials, promote construction industrialization, strictly comply with the management procedures for building demolition, and advance the utilization of construction waste.

6. Action Plan for the 13th Five-Year Prefabricated Construction (MOHURD，Jian Ke [2017] No.77) (《"十三五"裝配式建築行動方案》（住房和城鄉建設部，建科[2017]77號））

   Job objective: the proportion of prefabricated buildings in newly constructed buildings should be more than 15% in the PRC by 2020, among which, such proportion should be more than 20% in major promoted areas, 15% in actively promoted areas and 10% in encouraged promoted areas. By 2020, over 50 prefabricated construction demonstration cities, over 200 prefabricated construction industrial bases and over 500 prefabricated construction demonstration projects will be developed, and over 30 prefabricated construction technology innovation bases will be built, all of which is exemplary and encouraging as demonstration.

   Key Mission: (1) formulate development plan; (2) perfect standard system; (3) improve technology system; (4) enhance design capability; (5) strengthen industrial supporting ability;

(6) promote general contracting for projects; (7) promote full assembly of buildings; (8) facilitate green development; (9) improve the safety of projects quality; (10) cultivate industry group etc.

7. Administrative Measures for Prefabricated Construction Demonstration City (MOHURD，Jian Ke [2017] No.77) (《裝配式建築示範城市管理辦法》（住房和城鄉建設部，建科[2017]77號）)

During the development of prefabricated construction, to be recognized as a prefabricated construction demonstration city by such administrative measures entails having relatively strong industrial foundation and playing an exemplary role in the development goal, supporting policy, technological standards, project implementation and development mechanism of prefabricated construction. Each region should favor the demonstration city while formulating and implementing relevant preferential supporting policies.

8. Administrative Measures for Prefabricated Construction Industrial Base (MOHURD，Jian Ke [2017] No.77) (《裝配式建築產業基地管理辦法》（住房和城鄉建設部，建科[2017]77號）)

Prefabricated Construction Industrial Base refers to related prefabricated construction companies which possess definitive development goal, relatively strong industrial foundation, advanced and established techniques, capability in research and development innovation, strong industrial relevancy, and focus on the cultivation and training for prefabricated construction related talents as well as play an exemplary and encouraging role as demonstration. Such companies mainly consist of those engaged in the design, parts and components production, construction, equipment manufacturing, technology research and development for prefabricated construction. Industrial bases are given priority to enjoy relevant supporting policies from MOHURD and related housing and urban-rural development departments where they are located.

IV. RELEVANT LAWS AND REGULATIONS

(I) Permit and qualification for construction company

1. Administrative Regulations for Foreign-invested Construction Companies (Decree No.113 of Ministry of Construction and Ministry of Foreign Trade and Economic Cooperation) (《外商投資建築業企業管理規定》（建設部、對外貿易經濟合作部令第113號）) and Supplemental Provisions for Administrative Regulations for Foreign-invested Construction Companies (Decree No.121 of Ministry of Construction and Ministry of Commerce) (《<外商投資建築業企業管理規定>的補充規定》（建設部、商務部令第121號）) specified the conditions for foreign investors to establish a foreign-invested construction company and carry out construction activities in the PRC, including the application, review and approval procedures related to qualification for corporate establishment and construction contracting, and also stipulated the project scope a foreign-invested construction company can contract for.

2. Qualifications of contracting construction projects

Requirements relating to application for qualification and scope of contracting by enterprises in the construction industry have been made in the Construction Law of the PRC (Decree No. 46 of the President) (《中華人民共和國建築法》（主席令第46號）), Provisions on the Administration of Qualifications of Enterprises in Construction Industry(Decree No.22 of the MOHURD) (《建築業企業資質管理規定》(住房和城鄉建設部令第22號)), Qualification Standards of Construction

Enterprises(Jian Shi[2014]No.159) (《建築業企業資質標準》)(建市[2014]No.159), the Premium Class Standards of General Contracting Enterprises for Construction (Jian Shi[2007] No.72) (《施工總承包企業特級資質標準》(建市[2007]72號)), the Implementing Measures of Premium Class Qualification Standards for General Construction Contractors (Jian Shi[2010] No.210)(《施工總承包企業特級資質標準實施辦法》(建市[2010]210號)), the Opinions on the Implementation of the Provisions on the Administration and standard of Qualifications of Enterprises in Construction Industry(Jian Shi[2015] No.20) (《建築業企業資質管理規定和資質標準實施意見》(建市[2015]20號)) and other regulations.

Construction enterprises shall comply with the aforesaid regulations and apply for relevant qualifications accordingly to engage in the construction contracting business. Qualifications for construction enterprises are categorized into three groups, namely, construction contracting, specialized subcontracting and construction labor. The construction contracting qualification is divided into four classes, namely, the premium class, the first class, the second class and the third class. The specialized subcontracting qualification is divided into three classes, namely, the first class, the second class and the third class.

The Qualification Standards of Construction Enterprises (Jian Shi[2014] No.159)sets forth detailed provisions on the requirements for each type and class of qualifications mentioned above and the premium class qualification standards are prescribed separately in the Premium Class Standards of General Contracting Enterprises for Construction (Jian Shi[2007] No.72) (《施工總承包企業特級資質標準》(建市[2007]72號)).

Enterprises holding the Premium Class Certificate may undertake all grades of general contracting for construction and design and carry out the business of general contracting for engineering and project management in accordance with the scope of the qualification.

Enterprises holding the qualification for construction contracting work may undertake construction project management services in accordance with the scope of the qualification. Such enterprises may undertake all aspects of the construction works themselves, or subcontract non-essential construction works to subcontracting enterprises. Such enterprises may also hire labor subcontracting agents to carry out the construction work. Construction work should be subcontracted to subcontracting enterprises with relevant qualifications, and labor work should be subcontracted to labor subcontracting agents with relevant qualifications.

Enterprises holding subcontracting certificates may undertake projects subcontracted from a general construction contractor in compliance with relevant regulations. An enterprise that has obtained subcontracting certifications should undertake the entire subcontracting project itself but a subcontracting enterprise may subcontract any labor work to labor subcontracting agents with relevant qualifications in accordance with relevant PRC laws and regulations.

If the construction enterprise needs to continue to use qualification certificates after the period of validity expires, an application for renewal shall be made within three months before the expiration.

3. Qualifications for Construction Design

Pursuant to the Regulations on the Administration of Survey and Design of Construction Projects (《建設工程勘察設計管理條例》) and the Provisions on the Administration of

Qualifications for Survey and Design of Construction Projects (Decree No. 160 of the Ministry of Construction) (《建設工程勘察設計資質管理規定》(建設部令第160號)), the PRC Government has implemented a system of qualification administration for enterprises engaged in construction survey and design. Enterprises engaged in construction design shall apply for certifications before they undertake construction survey and design activities.

Construction design certifications are classified into four types and four grades. The four types are comprehensive construction design certifications, industry-specific construction design certifications, specialty construction design certifications, and specific construction design certifications. In addition, the four grades are Grades A, B, C and D. Grade A is the only level for the comprehensive construction design certification. Industry-specific construction design certifications, specialty construction design certifications and specific construction design certifications are generally categorized into Grade A and Grade B. Depending on the nature and technical characteristics of the relevant construction engineering projects, there may be an additional Grade C category for certain industry-specific construction design certifications and specialty construction design certifications, and an additional Grade C and D category for specific construction design certifications.

The scope of work that enterprises are allowed to provide depends on the specific type and grade of their certificates. The Qualification Standards of Construction Design (工程設計資質標準) sets forth detailed provisions on application requirements of each type and grade mentioned above.

Pursuant to the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects, an enterprise shall submit an application to the original licensing department for renewal of registration within 60 days before the expiration date.

4. Qualification in construction

According to the Administrative Measures for Construction Permits of Building Projects (《建築工程施工許可管理辦法》) (Decree No.42 of the MOHURD in the PRC), for construction, fitting out and decoration works in respect of various housing construction and auxiliary facilities thereof, installation of circuits, pipelines and equipments, as well as construction of infrastructural works for cities and towns, the construction units shall apply for construction permits from the competent department in accordance with the regulations of the Administrative Measures for urban-rural development of housing of the local people's government at or above prefecture level where the construction is located prior to the commencement of works.

It is not necessary to apply for construction permits for construction works of investment amount less than RMB0.3 million or which the gross floor area is less than 300 sq.m. The administrative authority in charge of housing and urban-rural development of the people's government of a province, autonomous region or municipality directly under the Central Government may, in accordance with the specific circumstances prevailing in their respective regions, readjust these limits and notify the department under the State Council responsible for construction for its records. For any construction project for which the report on the start of construction has been approved in accordance with the powers and procedures specified by the State Council, the construction entity concerned shall not be required to apply for a construction permit.

According to the Guiding Opinions of the MOHURD on Strengthen Vocational Training of Construction Workers (《住房城鄉建設部關於加強建築工人職業培訓工作的指導意見》) (Jian Ren [2015] No.43), it expressly stipulates that construction workers shall be qualified to engage in construction industry, accept classified trainings based on vocational skill standards and they all shall be employed with certificates. For workers who engage in technical types of work, they shall accept safety production training, theoretical knowledge training and operating skills training; for general workers on site, they shall accept safety production training pursuant to the requirements of vocational skills standards issued by the MOHURD. Construction workers must be trained and qualified, and obtain training certificate from construction enterprises or training institutions. For workers who engage in special type of construction work, they shall accept specialized training and pass the assessment, and obtain qualification certificates for special construction workers (《建築施工特種作業人員操作資格證書》) from the administrative authority in charge of housing and urban-rural development.

(II) Tender and bidding

1. According to the Construction Law of the PRC (《中華人民共和國建築法》) (Presidential Decree No. 46) and Tender and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) (Presidential Decree No.86 of the PRC), tender is required for the survey, design, construction and consultancy of projects in China, including projects involving large-scale infrastructure and public utility relating to public interest and safety, projects entirely or partially financed by state-owned funds or financed by the State and projects financed by loans and financial aid from international organizations or foreign governments. The bid winner may, according to the provisions of the contract or the consent of the project owner, subcontract non-vital parts of the project.

2. Implementation Regulations on the Implementation of the Tender and Bidding Law (《招標投標法實施條例》) (Presidential Decree No. 613) set out detailed provisions regarding relevant activities such as tender, bid submission, bid opening, bid evaluation, bid granting and entering into agreement, based on the Tender and Bidding Law.

3. According to the Administrative Measures for Tender and Bidding of House-building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程施工招標投標管理辦法》) (Decree No.89 of the MOC), it explicitly stipulates ranges of the house-building and municipal infrastructure projects, projects required for bidding and specific requirements about tender, bid submission, bid opening, bid evaluation and bid granting.

4. According to the Administrative Measures for Tender and Bidding of Construction Work Design (《建築工程設計招標投標管理辦法》) (Decree No.33 of the MOHURD), it clearly provides situations not required for bidding, procedures of public bidding, contents of bidding documents, requirements for tender and bid evaluation for construction work design plan.

5. According to the Several Opinions of the Ministry of Housing and Urban-Rural Development on Further Pushing the Development of EPC (《住房城鄉建設部關於進一步推進工程總承包發展的若干意見》) (Jian Shi [2016] No.93), it explicitly stipulates the main model of EPC, EPC subcontracting, responsibilities and obligations of the EPC companies and regulatory procedures of EPC project management.

6. According to the Measures for Administration on the Construction by Sub-contract of House-building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程施工分包管理辦法》) (Decree No.124 of the MOC), it explicitly stipulates the definition and varieties of

subcontracting, house-building and municipal infrastructure projects, requirements and conditions for subcontracting and the breach of subcontracting.

7. According to the Notice of the MOHURD on Administration of the Determination, Investigation and Handling of Breaches of the Laws on Contract-issuing and Contracting in connection with Construction Works (《住房和城鄉建設部關於印發建築工程施工發包與承包違法行為認定查處管理辦法的通知》) (Jian Shi Gui [2019] No. 1), it sets out detailed provisions of the identification of acts, such as the illegal subcontracting and affiliated behavior, of project owners and construction entities of a construction project as set out the Management Rules Regarding the Pricing of the Contract and Sub-contract Price of Construction Projects, and also provides relevant measures and penalty provisions for investigation and handling.

8. According to the Management Rules Regarding the Pricing of the Contract and Sub-contract Price of Construction Projects (《建築工程施工發包與承包計價管理辦法》) (Decree No.16 of the MOHURD), it clearly provides how to price the contract and sub-contract of construction projects, and stipulates issues such as conclusion of a contract, change of prices and construction completion acceptance and settlement after tender and bidding.

(III) Construction Safety

Pursuant to the Work Safety Law of People's Republic of China (Presidential Decree No. 13), the Regulation on the Work Safety Permits (《安全生產許可證條例》) (Decree No.397 of the State Council), the Regulation on the Administration of Work Safety of Construction Projects (Decree No.393 of the State Council), and the Provisions on the Administration of Construction Enterprises' Work Safety Permits (《建築施工企業安全生產許可證管理規定》) (Decree No.128 of the MOC), and other relevant laws and regulations, constructing enterprises shall be subject to the work safety permit system implemented by the PRC Government and apply for a Safety Production Permit (安全生產許可證). Before undertaking any construction activity, a construction enterprise shall file an application to the competent department of construction at or above the provincial level for obtaining a work safety license. Without work safety permits, construction enterprises shall not engage in construction activities.

1. The Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) (Presidential Decree No. 13) provides that a production enterprise must meet the national legal standards or industry standards on work safety and provide work conditions set out in relevant laws, administrative rules and national or industry standards. An entity that cannot provide required work conditions may not engage in production activities. The designers and the design firms for the safety facilities of a construction project are liable for their designs. A production enterprise must present prominent warning signs at relevant dangerous operation sites, facilities and equipment.

2. According to the Regulations on the Administration of Work Safety of Construction Projects (《建設工程安全生產管理條例》) (Decree No.393 of the State Council), an enterprise responsible for the work safety of a construction project shall assume the liabilities of the work safety of the construction project. In the case of a project covered by a main contract, the general contractor will be liable for the general work safety of the construction site and assume joint and several liabilities for the sub-contracted portions of the project together with the sub-contractors. A construction enterprise must purchase accidental injury insurance for the workers engaged in dangerous works on the construction site for injuries suffered in work-related accidents, and the insurance premium will be paid by the construction entity. In the case

of a construction work covered by a main contract, the insurance premium will be paid by the general contractor. The period covered by the insurance policies should commence on the start date of the construction project and terminate on the date of the inspection and acceptance upon the completion of the project.

3. Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents (Decree No.493 of the State Council) (《生產安全事故報告和調查處理條例》(國務院令第493號)), work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorized as follows:

   (a) Particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million;

   (b) Significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million;

   (c) Relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and

   (d) General accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million.

4. In order to ensure construction safety and prevent accidents, the Provisions on the Falling Substance Accident Prevention of the Construction Projects (《建築工程預防高處墜落事故若干規定》) (Jian Zhi [2003] No.82) and the Provisions on Collapse Prevention of Construction projects (《建築工程預防坍塌事故若干規定》) (Jian Zhi [2003] No.82) of the MOC set out rules on staff and equipment requirements for height operation under a strict liability regime. In order to prevent accidents and ensure construction safety, the unit engaged in engineering construction, reconstruction, expansion and other activities is required to prepare the construction plan, which should be strictly based on the geological conditions, construction technologies, working conditions and the surrounding environment.

(IV) Supervision on the quality of construction projects

Under the Regulations on the Administration of Construction Project Quality (Decree No.279 of the State Council)（《建設工程質量管理條例》（國務院令第279號））, construction enterprises, survey firms, designers, construction enterprises and project supervisory enterprises shall be responsible for the quality of construction projects. For construction projects, where all works are governed by a main contract, the main contractor shall be responsible for the quality of the whole construction project and, where it subcontracts part of the project work, the subcontractors will be jointly and severally responsible for the quality of the construction work. Contracting parties should present quality guarantee and maintenance certificates to the construction enterprises when tendering the project completion report to the construction enterprises.

According to the Provisions on the Supervision and Administration of the Quality of Housing Building Projects and Municipal Infrastructure Projects (Decree No.5 of the MOHURD) (《房屋建築和市政基礎設施工程質量監督管理規定》（住房和城鄉建設部令第5號）), the competent departments shall supervise and administer the enterprises who are responsible for the body quality, construction, survey, design, supervisory and quality detection (as the main party responsible for the quality of the construction work); the enterprises who are responsible for the safety and main functions of the main structure; the main party responsible for the quality of the construction work and quality detection entities who perform the legal responsibilities and obligations under the relevant laws, regulations and compulsory standards of construction.

(V) Inspection and acceptance of construction projects

Pursuant to the Notification on Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects issued by MOHURD (Jian Zhi [2013] No.171) (《住房和城鄉建設部關於印發<房屋建築和市政基礎設施工程竣工驗收規定>的通知》（建質[2013]171號）), after completing the project, an inspection team comprising design, survey, construction, supervision units should be established. Each unit is required to report the compliance status of engineering contracts, the implementation of laws, regulations and mandatory standards for engineering construction in various aspects of the construction.

Pursuant to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (Decree No.2 of MOHURD) (房屋建築和市政基礎設施工程竣工驗收備案管理辦法》（住房和城鄉建設部令第2號）), the filing of the as-built inspection of various housing, building and municipal infrastructure projects, including newly built, extended and rebuilt projects, within the PRC shall be governed by such measures. A construction entity shall, in accordance with the measures, conduct filing with the competitive construction department of people's government at or above the county level at the place where the project is located within 15 days from the date on which the as-built inspection of the project is passed.

(VI) Environmental protection

The production of the company's product will generate related pollutant, which shall be subject to the laws and regulations in respect of environmental protection in the PRC.

1. Environmental Protection Law of the PRC (Decree No.81 of the President of the PRC) (《中華人民共和國環境保護法》（中華人民共和國主席令第81號）)

   The construction of any project that causes pollution to the environment must comply with the administrative regulations on environment protection relating to the construction projects. The pollution prevention facilities for construction projects shall be designed, constructed and put into operation simultaneously with the main works. The PRC government implements a system for administering licenses for the discharge of pollutants under the provisions of the laws. Enterprises, units and other production operators under the licensing management for pollutant discharge should only discharge pollutants which satisfy the requirements of pollutant discharge license. Those which have not yet obtained the pollutant discharge license may not discharge pollutants. Pollutant-discharging enterprises, units and other production operators shall pay sewage fees pursuant to the relevant provisions of the State.

2. Law of the People's Republic of China on Environmental Impact Assessment (Decree No.48 of the President) (《中華人民共和國環境影響評價法》（主席令第48號）)

   Construction entities shall implement the following procedures for their construction projects in accordance with Classification of Construction Project Lists for Environmental Impact

Assessments (建設項目環境影響評價分類管理名錄) promulgated by the State Environmental Protection Administration: (i) in case the environmental impact is significant, full assessment reports of environmental impacts shall be prepared; (ii) in case the environmental impact is mild, reports containing environmental impact analysis and specific assessments shall be prepared; and (iii) in case the environmental impact is minimal, environmental impacts registration forms shall be submitted without any assessments. The project construction may not proceed in case its environmental impact assessment documents fail to pass the review of the competent authority in accordance with the laws and regulations or which are disapproved after review.

3. Regulations on the Administration of Environmental Protection for Construction Project (Decree No.682 of the State Council) (《建設項目環境保護管理條例》（國務院令第682號）)

Construction units shall assess the environmental impacts for their construction projects before commencing. Construction units shall, depending on the level of the environmental impacts, prepare environmental impact reports or environmental impact statements to the relevant environmental protection administration and obtain approval from relevant administration. Environmental protection facilities shall be designed, constructed and put into operation simultaneously with the main construction works. Upon the completion of construction projects, construction units shall file an application with the competent department of environmental protection administration for acceptance checks before operating the construction projects.

4. Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (Decree No.57 of the President) (《中華人民共和國固體廢物污染環境防治法》（主席令第57號）)

Construction projects where solid waste are generated or projects for storage, utilization or disposal of solid waste shall be subject to environmental impact assessment. Ancillary facilities necessary for the prevention and control of environmental pollution by solid waste based on the environmental impact assessment of construction projects shall be designed, constructed and put into operation simultaneously with main projects. Construction projects shall not be put into operation or used until the relevant competent environmental protection department has checked and accepted the prevention and control of environmental pollution facilities.

5. Law of the People's Republic of China on Prevention and Control of Water Pollution (Decree No.70 of the President) (《中華人民共和國水污染防治法》（主席令第70號）)

An environmental impact assessment must be conducted lawfully in respect of all construction projects involving the construction, alternation or expansion of water facilities which discharge pollutions directly or indirectly into water. Facilities for prevention and control of water pollution of construction projects must be designed, constructed and put into use or operation simultaneously with the main facility.

6. Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (Decree No.16 of the President) (《中華人民共和國大氣污染防治法》（主席令第16號）)

When construction projects have an impact on atmospheric environment, enterprises and public institutions shall conduct environmental impact assessments and publish the environmental impact assessment documents according to the law; when discharging pollutants to the atmosphere, they shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

7. Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (Decree No.77 of the President) (《中華人民共和國環境噪聲污染防治法》（主席令第77號）)

The newly built, altered and expanded construction projects shall comply with regulations of environmental protection administration of construction projects in the PRC. Where a construction project might cause environmental noise pollution, the unit undertaking the project must prepare an environmental impact statement which specifies the measures it takes to prevent and control such pollution, and submit it, following the procedures prescribed by the State, to the competent administrative department for environmental protection for approval. The facilities for the prevention and control of environmental noise pollution of the construction projects shall be designed, constructed and put into use simultaneously with the body of the project, and such facilities must be inspected and accepted by the competent environmental protection administrative authorities which originally approved the environmental impact statement. Construction projects that fail to fulfill the national requirements shall not be put into operation or use.

8. Environmental Protection Tax Law of the People's Republic of China (Decree No.16 of the President) (《中華人民共和國環境保護稅法》（主席令第16號）)

Enterprises, units and other production operators that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas under the jurisdiction of the PRC are the taxpayers of the environmental protection tax and should pay environmental protection tax based on the requirements of the law. Enterprises, units and other production operators that discharge taxable pollutants directly to the environment shall be legally liable for the damages other than the taxes on environmental protection paid pursuant to the requirements of the law.

(VII) Labor and human resource

1. The Labor Law of the PRC (Decree No. 18 of the President) (《中華人民共和國勞動法》(主席令第18號)), the Law of the PRC on Employment Contract (Decree No. 73 of the President) (《中華人民共和國勞動合同法》(主席令第73號)) and the Rules for Implementation of Labor Contract Law of the PRC (Decree No. 535 of the State Council) (《中華人民共和國勞動合同法實施條例》(國務院令第535號)) regulate the labor relations to be established between employers and laborers, entering into, execution, performance, modification and cancelation or termination of labor contract by them, perfect labor contract systems, specify the rights and obligations of both parties to a labor contract and protect the legitimate rights and interests of employers and laborers.

2. Pursuant to the Social Insurance Law of the PRC (Decree No. 35 of the President) (《中華人民共和國社會保險法》(主席令第35號)) and the Provisions for Implementation of the Social Insurance Law of the PRC (Decree No. 13 of the MHRSS) (《實施<中華人民共和國社會保險法>若干規定》(人力資源和社會保障部令第13號)), the PRC shall establish a social insurance system including basic endowment insurance, basic medical insurance, work-related injury

insurance, unemployment insurance and maternity insurance to guarantee the rights of citizens to legally obtain financial assistance from the state and society when they become old, ill, suffer from work-related injuries, unemployment and give birth to a child. Employers and individuals within the territory of the People's Republic of China shall pay social insurance premiums in accordance with the PRC laws and regulations.

3. Pursuant to the Regulation on Management of Housing Provident Fund (Decree No. 350 of the State Council) (《住房公積金管理條例》(國務院令第350號)), the employer shall register for contribution to the housing provident fund at a housing fund management center and open a housing provident fund account for its staff. An employer who has decided to recruit a person shall, within 30 days from the date of recruitment, register with the housing fund management center for contribution and deposit procedures, and go through procedures for establishing or transferring housing provident fund account for the recruited employee, the payment rate for housing provident fund for both employees and employers shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised for most prosperous cities. Specific payment rates shall be worked out by the Housing Fund Management Committee, and submitted to the People's Government of the provinces, autonomous regions and municipalities for approval after it is examined by the People's Government of immediate jurisdiction.

(VIII) Taxation

1. Value-added tax

According to Provisional Regulations on Value-added Tax of the People's Republic of China (Decree No.691 of State Council) (《中華人民共和國增值稅暫行條例》（國務院令第691號）) and Detailed Rules on Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (Decree No.65 of Ministry of Finance) (《中華人民共和國增值稅暫行條例實施細則》（財政部令第 65號）), enterprises and individuals engaged in sales of goods, provision of processing services, repair services and import of goods in the PRC must pay value-added tax, and the amount of tax payable shall be calculated based on the output tax for current period minus current input tax.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》（財稅[2016]36號）), the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide with effect from 1 May 2016. All taxpayers of business tax engaged in the life service industry such as construction industry shall be included in the scope of the pilot program. The value-added tax rate to be imposed on relevant construction services, which refer to business activities such as construction, renovation and decoration of various buildings, structures and ancillary supporting facilities thereof, installation of lines, pipes, equipment and facilities, and other engineering operations, including engineering, installation, renovation, decoration and other construction services, shall be 11%.

According to Notice on Adjusting the Value added Tax Rates (Cai Shui [2018] No. 32) (《關於調整增值稅稅率的通知》(財稅[2018]32號)) issued by the Ministry of Finance and State Administration of Taxation, where taxpayers make VAT taxable sales or import goods, the applicable tax rates shall be adjusted from 17% to 16% and from 11% to 10%, respectively, with effect from 1 May 2018. According to the Circular on Policies Concerning Deepening the Reform of Value Added Tax (關於深化增值稅改革有關政策的公告) promulgated by MOF, SAT and General Administration of Customs on March 20, 2019, which will take effective on April 1, 2019, the value added tax rates shall be adjusted to 13% or 9% from originally 16% and 10% for taxpayers incurring taxable sales activities or importing goods.

2. Enterprise income tax

According to Enterprise Income Tax Law of the People's Republic of China (Decree No. 64 of President) (《中華人民共和國企業所得稅法》（主席令第64號）) and the Implementation Regulations of Enterprise Income Tax Law of the People's Republic of China (Decree No. 512 of State Council) (《中華人民共和國企業所得稅法實施條例》（國務院令第512號）), domestic and foreign enterprises established under the laws of foreign countries or regions and whose "de facto management bodies" are located within the PRC are considered "resident enterprises" and will generally be subject to a 25% of enterprise income tax on their global income.

In addition, pursuant to the Circular of the State Administration of Taxation on the Issues Concerning Implementation of the Preferential Income Tax Policy for New High-Tech Enterprises (State Administration of Taxation Announcement [2017] No.24) (《國家稅務總局關於實施高新技術企業所得稅優惠政策有關問題的公告》(國家稅務總局公告2017年第24號)), the enterprise income tax rate of new high-tech enterprises requiring national major support should be reduced to 15%. The new high-tech areas with national major support, the administrative measures for the accreditation of new high-tech enterprises and the enterprise income tax law provide for the business types entitled to tax reduction.

(IX) Intellectual property protection

1. According to the Trademark Law of People's Republic of China (Decree No.6 of the President) (《中華人民共和國商標法》(主席令第6號)), the exclusive right to the use of a registered trademark shall be limited to trademarks which are registered upon approval and to goods the use of a trademark on which is approved. The period of validity of a registered trademark shall be 10 years, commencing from the day the registration is approved. According to the Trademark Law of the People's Republic of China, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

2. Pursuant to the Patent Law of the People's Republic of China (Decree No.8 of the President) (《中華人民共和國專利法》(主席令第8號)), after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law of the People's Republic of China, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. After a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the

infringer shall, in accordance with the regulations, cease the infringement, take remedial action, and pay damages.

V. Local regulations and administration rules

1. The Implementation Opinions of the General Office under Hunan Provincial People's Government concerning Accelerating Development of Prefabricated Buildings (Xiang Zheng Ban Fa No. [2017]28) (《湖南省人民政府辦公廳關於加快推進裝配式建築發展的實施意見》(湘政辦發[2017]28號)) stipulates the construction project scope of prefabricated buildings should be adopted in order to expand the coverage of prefabricated buildings, and proposes tasks such as preparing industrial development plans, enhancing design and production capacity and putting more efforts into promoting the development of steel-structures and wood-structured prefabricated buildings, increases fiscal support, project fulfillment and financial support, implements tax concessions and plot-ratio reward, prioritizes policy support for pre-sale of commercial housing and optimization of project bidding procedures.

2. Pursuant to Administration Rules for Construction Market in Hunan Province (Notice No. 77 of the Standing Committee of the Hunan Provincial People's Congress) (《湖南省建築市場管理條例》（湖南省人民代表大會常務委員會公告第77號）), such rules regulate construction activities in the construction market in terms of qualification management, construction project contracting and contracting management, construction cost and quality control.

3. Pursuant to Supervision Regulations for Construction in Hunan Province (Notice No. 78 of the Standing Committee of the Hunan Provincial People's Congress) (《湖南省建設工程監理條例》(湖南省人民代表大會常務委員會公告第78號)), such regulations stipulate the supervisory scope and contents for project supervision unit and supervising engineer, including the items that entails supervision, the main contents of supervision units at each stage, and the procedures for supervision by supervision unit.

4. Pursuant to Administration Rules for Construction Survey and Design in Hunan Province (Notice No. 80 of the Standing Committee of the Hunan Provincial People's Congress) (《湖南省建設工程勘察設計管理條例》(湖南省人民代表大會常務委員會公告第80號)), such rules stipulate the procedures necessary for conducting construction survey and design activities in Hunan Province, which, in particular, include the qualifications for survey and design and relevant management, the outsourcing and contracting of survey and design projects, the preparation and review of documents, and quality control for survey and design.

5. Pursuant to Implementation of Measures from Tendering and Bidding Law of the PRC in Hunan (Notice No. 68 of the Standing Committee of the 9th Hunan Provincial People's Congress) (湖南省實施《中華人民共和國招標投標法》辦法(湖南省第九屆人大常委會公告第68號)), such measures regulate bidding and tendering activities in terms of bidding scope and scale standards, invitation for bid, tendering, bid opening, evaluation of bid and bidding success.

6. Pursuant to Interim Provisions on the Administration of Tendering and Bidding Activities for Contracting of Housing Construction and Municipal Infrastructure Construction in Hunan Province (Xiang Jian Jian Du No. [2017]76) (《湖南省房屋建築和市政基礎設施工程總承包招標投標活動管理暫行規定》(湘建監督[2017]76號)), such provisions specify the definition of construction contracting, the conditions for contracting bidding, the qualification requirements for bidder, the bidding documents, bidding notice, bidding evaluation, and contract execution during bidding process.

7. Pursuant to Interim Comments on Bidding and Tendering Activities of Prefabricated Construction Projects in Hunan Province (Xiang Jian Fan No. [2016] 142) (《湖南省裝備式建築項目招標投標活動的暫行意見》(湘建房[2016]142號)), such comments stipulate the bidding method, bidding evaluation method, bidding documents, and the selection of experts at bid evaluation for prefabricated construction project.

8. Pursuant to Administrative Provisions on Bidding and Evaluation-bidding Activities for Housing Construction and Municipal Infrastructure Construction in Hunan Province (Xiang Jian Jian No. [2007]102) (《湖南省房屋建築和市政基礎設施工程施工招標評標活動管理規定》(湘建建[2007]102號)), such provisions are applicable to the bidding, bidding evaluation and bidding confirmation for housing construction and infrastructure construction that call for a bid, and provide for the classification and subject for bid-evaluation methods, preliminary assessment, detailed review, bidders recommended for winning and bidding confirmation procedures.

9. Pursuant to Implementation Measures for Management of Acceptance and Filing of Housing Construction and Municipal Infrastructure Completion in Hunan Province (Xiang Jian Jian No. [2001]26) (《湖南省房屋建築工程和市政基礎設施工程竣工驗收備案管理實施辦法》(湘建建[2001]26號)), such measures specify the competent authority for acceptance and filing of construction completion, the conditions for acceptance and filing of construction completion, and the relevant procedures for filing.

This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV—Taxation and Foreign Exchange" to this prospectus. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain major differences between PRC and Hong Kong company laws, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of PRC issuers.

1. PRC LAWS AND REGULATIONS

PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute legally binding precedents, although they may be used for the purpose of judicial reference and guidance. The PRC Constitution (中華人民共和國憲法), enacted by the National Peoples' Congress (the "NPC") of the PRC, is the basis of the PRC legal system and has supreme legal authority.

The NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

Administrative regulations formulated by the State Council according to the Constitution and laws.

People's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws and administrative regulations. People's congresses of large cities and their respective standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws and administrative regulations.

People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

The ministries, commissions, PBOC, Audit Office and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and large cities may formulate rules and regulations based on the laws, administrative regulations and relevant local regulations.

According to the PRC Constitution (中華人民共和國憲法), the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, interpretation on the application of laws and decrees in court trails and the procuratorial work of the procuratorates shall be given by the Supreme People's Court and the Supreme People's Procuratorate, respectively. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions. In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

Under the PRC Constitution and the Law of the PRC of Organization of the People's Courts (中華人民共和國人民法院組織法) which was enacted on July 1, 1979 and last amended on October 26, 2018 and took effect on January 1, 2019, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be organized into civil, criminal, and economic tribunals. The intermediate people's courts may be organized into divisions similar to those of the basic people's courts, and may be further organized into other special divisions. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts.

The people's courts adopt a "second instance as final" appellate system in the trail of the cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorate may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorate within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

The Civil Procedure Law of the PRC (中華人民共和國民事訴訟法) (the "PRC Civil Procedure Law"), which was adopted on April 9, 1991 and last amended on June 27, 2017 and became effective on July 1, 2017, sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over either the plaintiff 's or the defendant's place of residence, the place of execution or performance of the contract, the object of the action or other locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two year. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

The Company Law (公司法) which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended and became effective on October 26, 2018 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The latest amendment to the Company Law in 2018 modifies the restrictions and corresponding procedures and obligations of a company on its acquisition of its shares.

The Special Regulations of the State Council on Share Offering and Listing Overseas by Joint-stock Limited Liability Companies (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "Special Regulations") were promulgated by the Standing Committee Meeting of the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions of Articles of Association of Companies Listing Overseas (到境外上市公司章程必備條款) (the "Mandatory Provisions") were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in the appendix headed "Appendix VII—Summary of the Articles of Association" to this prospectus).

Copies of the Chinese text of the PRC Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in the appendix headed "Appendix IX—Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" to this prospectus.

General

A joint-stock limited liability company (hereinafter referred to as "company") is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of the company's assets and liabilities and the establishment of internal management organs.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC.

Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For companies incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. The company shall not raise capital from others before the promoters fully pay the capital subscribed by them. For companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall 15 days before the meeting give notice to all subscribers or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares according to the laws.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong Special Administrative Region of the PRC and Macao Special Administrative Region of the PRC and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the benchmark date determined by the company for distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the Securities Law provides that the company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities supervision and administration institution of the State Council as approved by the State Council.

Public offer requires the approval of the securities supervision and administration institution of the State Council.

After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

(i) reduction in its registered capital;

(ii) merger with another company holding shares in the company;

(iii) using the shares for employee shareholding schemes or as share incentives;

(iv) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting;

(v) using the shares for converting convertible corporation bonds issued by listed company;

(vi) necessary acts by the listed company to protect its value while safeguarding the interests of shareholders.

In the case of using the shares for employee shareholding schemes or as share incentives, using the shares for converting convertible corporate bonds issued by listed company, and necessary acts by the listed company to protect its value while safeguarding the interests of shareholders, the number of its shares held by the company in aggregate shall not exceed 10% of the total issued shares of the Company and shall be transferred or canceled within three years.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) if any directors or senior management damages the shareholder's interests by violating law or administrative regulations or articles of association, the shareholders may lodge an action in the people's court;

(v) to receive dividends and other distributions in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the supervisory committee;

(v) to consider and approve the company's proposed annual financial budget and financial accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution, liquidation or change of the form of the company and other matters;

(x) to decide on the appointment, resignation or dismissal of the accounting firm;

(xi) to amend the articles of association of the company; and

(xii) other powers specified in the articles of association of the company.

A shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital; a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iii) when deemed necessary by the board of directors;

(iv) when the supervisory committee proposes convening it; or

(v) other matters required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of the company for ninety days consecutively may unilaterally convene and preside over such meeting.

Notice of the Shareholders' general meeting shall be given to all shareholders 20 days before the meeting under the Company Law and 45 days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance 20 days prior to the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class.

Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Directors

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of our Company. Under the Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution or change of the form of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the president's recommendation, to appoint or dismiss deputy general manager and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation of this deprivation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;

(v) persons who have a relatively large amount of debt due and outstanding; or

(vi) other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in the appendix headed "Appendix VII—Summary of the Articles of Association" to this prospectus).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the Mandatory Provisions, is the chairman of the board of directors. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in the appendix headed "Appendix VII—Summary of the Articles of Association" to this prospectus) contain further elaborations of such duties.

Supervisors

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The supervisory committee is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the Company Law are as follows:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings to convene and preside over shareholders' meetings;

(v) to propose any bills to shareholders' general meetings;

(vi) to commence any action against any directors or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee or (where there is no supervisory committee) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. All expenses incurred by the supervisory committee to exercise their power shall be borne by the company.

Meetings of the supervisory committee shall be convened at least every six months. Interim meetings of the supervisory committee can be convened by the supervisors. According to the Company Law, resolutions of the supervisory committee require the approval of more than half of all supervisors, and pursuant to the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong (關於到香港上市公司對公司章程作補充修改的意見的函) promulgated by the CSRC on April 3, 1995, resolutions of the supervisory committee require the approval of more than two-thirds of all supervisors. Each supervisor shall have one vote for resolutions to be approved by the supervisory committee. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and supervisors attending the meeting shall sign to endorse such minutes.

Managers and other Senior Officers

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other senior administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management officers of a company includes the financial officer, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company also apply to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in the appendix headed "Appendix VII—Summary of the Articles of Association" to this prospectus.

Duties of Directors, Supervisors and Senior Officers

A director, supervisor and senior officer of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

(i) misappropriation of company funds;

(ii) deposit of company funds into accounts under their own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accepting for their own benefit commissions from other parties dealing with the company;

(vii) unauthorized divulgence of confidential information of the company; or

(viii) other acts in violation of their duty of loyalty to the company.

A director, supervisor and senior officer of a company is also under a duty of confidentiality to the company.

A director, supervisor and senior officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to the company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Where the attendance of a director, supervisor, senior officer is requested by the shareholders' general meeting, director, supervisor, manager, senior officer shall attend the meeting as requested and answer enquiries of shareholders. Directors, senior officers shall furnish with all truthfulness facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

A company shall not directly, or through its subsidiary, provide loans to any director, supervisor or senior management and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management of the company.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company incorporated by public subscription must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve (except where the reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

When the company's statutory surplus reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After the company has made up for its losses and make allocations to its statutory surplus reserve the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the nominal value of the shares currently held by the shareholders. If the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Auditors

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

Distribution of Profits

The Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve has been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

Under the Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or people as determined by the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of relevant company;

(iv) to pay any tax overdue;

(v) to settle the company's financial claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy according to the laws. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix VII—Summary of the Articles of Association."

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty days. The creditors may, within thirty days as of the receipt of the notice or within forty five days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the division of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within fifteen months after approval is obtained from the CSRC.

Suspension and Termination of Listing

The PRC Securities Law provides that under various circumstances, where relevant stock exchanges decide, trading in shares of the Company on the Stock Exchange can be suspended or terminated.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares of the Company and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Provisional Regulations on the Administration of Share Issuance and Trading stipulates the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Liability Companies. These regulations deal mainly with the issue, subscription, trading, declaration of dividends and other distributions of domestic listed foreign shares and the disclosure of information of joint stock limited liability companies having domestic listed foreign shares.

The PRC Securities Law took effect on July 1, 1999 and was amended on August 28, 2004, October 27, 2005, June 29, 2013 and August 31, 2014, respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the PRC Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H Shares) are still mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (中華人民共和國仲裁法) (the "Arbitration Law") was passed by the Standing Committee of the National People's Congress on August 31, 1994, the latest version was amended on September 1, 2017 and came into effect on January 1, 2018. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate provisional arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of the H Shares and us; holders of the H Shares and the Directors, Supervisors or officers; or holders of the Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the Articles of Association, the PRC Company Law or other relevant laws and regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, Directors, Supervisors, officers of us, shall be subject to the arbitration. Disputes in respect of who is the shareholder and those in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either CIETAC in accordance with its rules or HKIAC in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the securities arbitration rules of HKIAC.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for Enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (承認及執行外國仲裁裁決公約) (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the National People's Congress passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the National People's Congress simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the Provisions for Overseas Investment Management (境外投資管理辦法) promulgated by the Ministry of Commerce and took effect on October 6, 2014, and the Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions (境內機構境外直接投資外匯管理規定) issued by SAFE and took effect on August 1, 2009, upon obtaining approval from the Ministry of Commerce to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investments.

According to the Administrative Measures for Approval and Record-filing of Enterprise Invested Projects (境外投資項目核准和備案管理辦法) promulgated by the NDRC and last revised and enacted on December 27, 2014, overseas investment projects carried out by PRC enterprises by way of new construction, M&A, share purchase, capital increase and capital injection, and overseas investment projects implemented through its overseas enterprise or entity by way of providing financing or guarantees, are required to obtain approval or lodge filing with NDRC in accordance with the relevant conditions of the overseas investment projects.

According to Administrative Measures for the Outbound Investment of Enterprises (企業境外投資管理辦法) promulgated by the NDRC on December 26, 2017 and took effect on March 1, 2018, the overseas investment carried out by PRC enterprises directly or through its controlled overseas enterprise and by way of investing assets and interests or providing financing and guarantees shall be complied with approval and record-filing of overseas investment project, reporting relevant information and cooperating with the supervision and inspection. Approval procedures shall apply to sensitive projects carried out by the investor directly or through its controlled overseas enterprise; record-filing procedure shall apply to any non-sensitive projects carried out by the investor directly.

2. MATERIAL DIFFERENCES BETWEEN CERTAIN COMPANY LAW MATTERS IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) canceling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Any increase in the registered capital of a PRC company must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, domestic shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons and other investment institutions as permitted by laws and regulations. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares held by them in that company, and the shares they held in that company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set out other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management.

There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholders' disposal of Shares, after the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than twenty (20) days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than fifteen (15) days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least thirty (30) days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, at least forty five (45) days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least twenty (20) days before the date of the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. The notice period for the annual shareholders' general meeting is twenty one (21) days.

Quorum for General Meetings

The PRC Company Law does not specify any quorum requirement for a general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least twenty (20) days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the general meeting may be held thereafter.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at General Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our Shareholders present in person or by proxy at a general meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a general meeting.

Under Hong Kong law, (i) an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and (ii) a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix VII—Summary of the Articles of Association."

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

We have incorporated provisions to protect the rights of class shares into the Articles of Association in a similar way as required by the laws of Hong Kong in accordance with the Hong Kong Listing Rules and Mandatory Provisions. The Articles of Association define the holders of overseas listed shares and domestic shares as shareholders of different classes of shares. The special procedure for voting by class shareholders is not applicable in the following circumstances: (1) after approval by a special resolution in shareholders' general meeting, the Company issue domestic shares and overseas listed foreign shares separately or at the same time at an interval of 12 months, and the proposed number of domestic shares and overseas listed foreign shares to be issued respectively will not exceed 20% of the outstanding issued shares of such class; (2) the plans to issue domestic shares and overseas listed foreign shares upon establishment of the Company are completed within 15 months from the date of approval by the securities regulatory authority of the State Council; and (3) after the Company has issued H shares in an overseas region, and after approval has been granted by the State Council or the securities regulatory authority of the State Council, the shareholders of the Company offer the unlisted shares held by them for listing and dealing in overseas regions.

Derivative Action by Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceedings may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions further provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a people's court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and director's interests in the subject matters to be discussed and specify the circumstances under which a director may receive compensation for loss of office.

Supervisory Committee

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care.

Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than twenty one (21) days before such meeting.

According to the PRC laws, a company shall prepare its financial accounting reports as of the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese Accounting Standards (the "CAS"), have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the CAS.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the article of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years.

The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Special Withdrawal

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages.

The Hong Kong Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder.

Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty (30) days (extendable to sixty (60) days in certain circumstances) in a year.

As required by the Mandatory Provisions, share transfers shall not be registered within thirty (30) days before the date of convening a general meeting or within five (5) days before the base date of distribution of dividends.

This appendix sets out the summary of the principal provisions of the Articles of Association. The principal objective of this appendix is to provide potential investors with an overview of the Articles of Association, hence it does not contain all information that may be important to potential investors. As stated in the section "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix IX to the Prospectus, the full Chinese text of the Articles of Association is available for inspection.

SHARES

Shares and Registered Capital

All the shares issued by the Company shall be ordinary shares. The Company may set other types of shares subject to needs, upon approval by authorities that are authorized by the State Counsel. The shares of the Company shall take the form of equity.

The Company shall issue shares in an open, fair and just manner, and each share of the same class shall have the equal rights. The issuing conditions and price for each share of the same class issued at the same time shall be the same and each share subscribed by any entity or individual shall be subscribed at the same price.

Upon approval by the China Securities Regulatory Commission, the Company may offer its shares to both domestic and foreign investors. Subject to approval of the Company's plans to issue by the China Securities Regulatory Commission, the board of directors (the "Board") of the Company may make arrangement to implement such plans for the issue of such shares. The Company may separately implement its plan for issuing domestic shares and overseas-listed foreign shares pursuant to the preceding provision within 15 months from the date of approval of the China Securities Regulatory Commission. If the Company separately issues domestic shares and overseas-listed foreign shares within the total number specified in the issue scheme, the said shares shall be issued and fully subscribed respectively at one time. Where special circumstances make it impossible for full subscription at one time, the shares may be issued in several stages, subject to approval of the China Securities Regulatory Commission.

Increase or Decrease and Repurchase of Share Capital

Pursuant to relevant requirements of the Articles of Association, the Company may, in compliance with the laws and based on its business and development needs, approve the increase of the capital in the following manners:

(I) public offer shares;

(II) non-public offer share;

(III) issue bonus shares or place new shares to existing shareholders;

(IV) convert capital reserves into share capital;

(V) other means permitted by the laws and administrative regulations and approved by the securities regulatory authority of the State Council.

The increase of capital by issuing new shares shall be subject to approval as specified in the Articles of Association and follow the procedures specified by the relevant laws and regulations of the PRC.

The Company may reduce its registered capital. The reduction of registered capital shall be made in accordance with the Company Law and other relevant regulations as well as procedures stipulated in the Articles of Association. The Company shall prepare a balance sheet and a list of property inventory for reduction of registered capital. The Company shall notify its creditors within ten days from the date of the Company's resolution to reduce registered capital and shall publish an announcement in a newspaper which recognized by the relevant regulatory authorities in the place where the Company's shares are listed within thirty days from the date of such resolution and in the websites of the Company and the relevant stock exchange in accordance with the requirements of the place where the Company's shares are listed. A creditor has the right to require the Company to repay its debts or to provide a corresponding guarantee for such debts within thirty days from the date the one receives the relevant notice or, in the case of a creditor who did not receive such notice, within forty-five days from the date of the announcement. The Company's registered capital shall not, after the reduction in capital, be less than the minimum amount prescribed by law.

The Company may, in the following circumstances, repurchase its outstanding shares by the procedure provided for in laws and the Articles of Association, upon the approval by the vetting authority authorized by the State Council:

(I) canceling shares in order to reduce the registered capital of the Company;

(II) merging with other companies holding shares of the Company;

(III) acquiring its own shares for employee stock ownership plans or equity incentives;

(IV) shareholders objecting to resolutions of the general meeting concerning merger or division of the Company, requiring the Company to buy their shares;

(V) acquiring its own shares to convert the corporate bonds issued thereby that are convertible to shares;

(VI) maintaining its value and the rights and interests of shareholders;

(VII) other circumstances permitted by laws and administrative regulations as well as the vetting authority authorized by the State Council.

The Company shall not engage in trading of its shares save for the circumstances specified above.

The Company may repurchase its shares in one of the following ways:

(i) making a pro rata offer of repurchase to all its shareholders;

(ii) repurchasing through public trading on a stock exchange;

(iii) repurchasing shares by an off-market agreement;

(iv) other means as permitted by the laws, administrative regulations and approving departments authorized by the State Council.

The purchase of shares made by the Company on the grounds set out in (III), (V) and (VI) above shall be conducted by way of open centralized trading.

Where the Company repurchases its shares through an off-market agreement, it shall seek prior approval at general meeting in accordance with the Articles of Association. The Company may release or amend a contract so entered into by the Company or waive its rights thereunder with prior approval at general meeting obtained in the same manner. The contract to repurchase shares as referred to in the above paragraph includes, but not limited to, an agreement to become obliged to repurchase or to acquire the right to repurchase shares. The Company shall not assign a contract for repurchasing its shares or any of its right thereunder. In the event that the Company has redeemable shares, for the purpose that the Company has the right to repurchase the redeemable shares, if they are not repurchased through the market or by tender, the price of these shares shall be limited to a maximum price; if they are repurchased by tender, the relevant tender shall be available to all shareholders on the same terms. The purchase of shares made by the Company on the grounds set out in (I) and (II) above shall require approval by way of a resolution passed by the shareholders' general meeting. The purchase of shares made by the Company on the grounds set out in (III), (V) and (VI) above shall require approval by way of resolution adopted at a meeting of the Board that is attended by at least two-thirds of all directors. Shares repurchased by the Company pursuant to the above requirements under (I) shall be canceled within ten days from the date of acquisition; the shares repurchased under (II) and (IV) shall be transferred or canceled within six months; the shares repurchased under (III), (V) and (VI), the company shall ensure that the total number of its own shares held thereby is not in excess of 10% of its total outstanding shares and shall transfer or deregister the acquired shares within three years.

If the Company repurchase H shares, the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange shall be complied with.

If the Company cancels the shares, it shall apply to the original company registration authorities for registration of the changed registered capital.

The aggregate par value of the shares canceled shall be reduced from the amount of the Company's registered capital.

Share Transfer

Save as otherwise provided in laws and administrative regulations as well as Hong Kong Stock Exchange, shares of the Company may be transferred freely and shall be free of any lien.

The Company shall not accept its shares as a pledge.

Shares held by the promoters in the Company shall not be transferred within one year from the date of incorporation of the Company. The Company's shares issued prior to the public issuance of shares shall not be transferred within one year from the date on which the shares of the Company are listed and traded on a stock exchange.

The directors, supervisors and senior management officers of the Company shall declare to the Company the number of shares of the Company they hold and the subsequent changes in their shareholdings. The number of shares that such persons may transfer every year during their terms of office shall not exceed twenty-five percent of the total number of the Company's shares of the same class held by him/her; and no transfer of shares held by him/her shall be allowed within one year since the date when the Company's shares are listed and traded. Such personnel shall not transfer the Company's shares held within half a year after they have terminated their employment with the Company. If the restriction on transfer under this clause involves H shares, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and relevant applicable laws and regulations must be complied with.

Where the directors, supervisors, senior management officers of the Company and shareholders holding more than five percent of the domestic shares of the Company sell his/her shares within a period of six months after the acquisition of the shares, or repurchase shares of the Company within six months after sales of the shares, any proceed arising therefrom shall belong to the Company, and the Board of the Company shall forfeit such gains for the benefit of the Company. If the restriction on transfer under this clause involves H shares, the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and relevant applicable laws and regulations must be complied with. However, the six-month restriction shall not apply for a securities company that holds more than five percent of the shares of the Company as a result of its underwriting of the untaken shares in an offer.

Financial Assistance for Acquisition of the Company's Shares

The Company or its subsidiaries shall not, at any time, provide any kind of financial assistance to a person who acquires or is proposing to acquire the Company's shares. The aforesaid person acquiring the Company's shares includes a person who has directly or indirectly incurred any obligations as a result of the acquisition of the Company's shares.

The Company or its subsidiaries shall not, by any means at any time, provide financial assistance to the aforesaid person for the purpose of reducing or discharging his obligations. When the following circumstances occurred, however, the above restriction shall not be applied:

(i) the provision of financial assistance by the Company where the financial assistance is given in good faith in the interests of the Company, and the principal purpose of which is not for the acquisition of the Company's shares, or the giving of financial assistance is an incidental part of the overall plan of the Company;

(ii) the lawful distribution of the Company's assets as dividends;

(iii) the allotment of shares as dividends;

(iv) the reduction of registered capital, repurchase of shares or reorganization of share capital structure of the Company effected in accordance with the Articles of Association;

(v) the loans provided by the Company within its scope of business and in the ordinary course of its business, provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided from the distributable profits of the Company; and

(vi) the contributions made by the Company to the staff share ownership schemes, provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided from the distributable profits of the Company.

Share Certificates and Register of Shareholders

Share certificates of the Company shall be in registered form. In addition to the particulars provided for in the Company Law and Special Regulations, the Company's share certificates shall include such other particulars as required to be specified by the securities exchange(s) on which the Company's shares are listed.

The Company shall maintain a register of shareholders and register the following particulars:

(i) the name, address (residence), occupation or nature of each shareholder;

(ii) the class and number of shares held by each shareholder;

(iii) the amount paid or payable in respect to the shares held by each shareholder;

(iv) the serial numbers of the shares held by each shareholder;

(v) the date on which each shareholder was registered as a shareholder;

(vi) the date on which each shareholder ceased to be a shareholder.

The Company may, in accordance with the memorandum of understanding and agreements between the China Securities Regulatory Commission and overseas securities regulatory authorities, maintain the register of holders of overseas-listed foreign shares outside China and entrust an overseas agent to maintain such register. The original copy of the register of holders of H shares should be maintained in Hong Kong.

The Company shall maintain a duplicate of the register of holders of overseas-listed foreign shares at the Company's corporate domicile. The appointed overseas agent shall ensure the consistency between the original copy and the duplicate of the register of holders of overseas-listed foreign shares at all times.

If there is any inconsistency between the original copy and the duplicate of the register of holders of overseas-listed foreign shares, the original copy shall prevail.

No share transfer may be entered in the register of shareholders within thirty days prior to the date of a shareholders' general meeting or within five days before the record date set by the Company for the purpose of distribution of dividends.

Any person aggrieves and claims to be entitled to have his/its name entered in or removed from the register of shareholders may apply to a court of competent jurisdiction for rectification of the register.

Any shareholder who is registered in, or any person who requests to have his/her name entered in, the register of shareholders may, if his/her share certificates (the "Original Certificates") are lost, apply to the Company for a replacement share certificate in respect to such shares (the "Relevant Shares").

SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING

Shareholders

The Company's shareholders are persons that lawfully hold shares of the Company and whose names are listed on the register of shareholders. Shareholders shall enjoy rights and bear obligations according to the class and number of shares held by them. In addition to other classes of shareholders, holders of domestic shares and holders of H shares are deemed to be different class of shareholders. Holders of shares of the same class shall enjoy equal rights and bear equal obligations.

Holders of ordinary shares of the Company shall enjoy the following rights in accordance with applicable laws and these Articles of Association:

(i) the right to receive dividends and other distributions in proportion to the number of shares held;

(ii) the right to request, convene, chair, attend and vote in person or appoint a proxy to attend and vote on their behalf at shareholders' general meetings in accordance with the laws;

(iii) the right to supervise the Company's business operations, and to put forward proposals or raise enquiries;

(iv) transfer, grant or pledge the shares he/she holds in accordance with the laws and relevant provisions of the securities regulatory authorities where the shares of the Company are listed and the provisions hereof;

(v) the right to obtain the relevant information in accordance with the Articles of Association, including:

1. a duplicate of this Articles of Association upon payment of a reasonable fee;

2. the right to inspect and copy following documents upon payment of a reasonable fee:

(1) a duplicate of each register of all shareholders;

(2) personal particulars of directors, supervisors, president and other senior management officers of the Company, including:

(a) current and previous names and aliases;

(b) main address (residence);

(c) nationality;

(d) full-time and all other part-time occupations and duties;

(e) identification documents and their numbers.

(3) the state of the Company's issued share capital;

(4) reports showing the aggregate par value and number of shares, highest and lowest prices paid in respect of each class of shares repurchased by the Company since the end of the last accounting year and all the expenses paid by the Company therefor (with a breakdown between domestic shares and foreign shares);

(5) minutes of the shareholders' general meetings (for shareholders' review only) and a duplicate of special resolutions of the Company and a duplicate of resolutions of the meetings of the Board and the Supervisory Committee;

(6) the Company's latest audited financial statements and the reports of directors, accounting firms and the Supervisory Committee;

(7) a duplicate of the latest annual examination report filed with the State Administration for Industry and Commerce or other competent authorities (if applicable);

The Company shall place the documents mentioned above (other than sub-paragraph (1), (3), (4), (5), (6) and (7)) and any other applicable documents at the Company's place of domicile and its place of business in Hong Kong as required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited for inspection by the public and shareholders free of charge (excluding the minutes of the shareholders' general meetings which for shareholders' review only). If the information to be inspected and photocopied involves trade secrets or inside information of the Company, the Company may refuse to provide the same. Where shareholders request for inspection of the relevant information or demand for materials as aforementioned, they shall provide the Company with written documents evidencing the class and number of shares of the Company they hold. Upon verification of the shareholder's identity, the Company shall provide information requested by such shareholder.

(vi) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining assets of the Company in proportion to the number of shares held;

(vii) with respect to shareholders who voted against any resolutions adopted at the shareholders' general meeting on the merger or demerger of the Company, the right to demand the Company to acquire the shares held by them;

(viii) any other rights conferred by the laws, administrative regulations, departmental rules and the Articles of Association.

If a resolution passed at a shareholders' general meeting or meeting of the Board of the Company violates the laws or administrative regulations, the shareholders shall have the rights to submit a petition to the court to render the resolution invalid. If the procedures for convening, or the method of voting at, a Company's general meeting or meeting of the Board violate the laws, administrative regulations or the Articles of Association, or the contents of a resolution violate the Articles of Association, shareholders shall have the rights to submit a petition to the court to revoke such resolution within sixty days from the date on which such resolution is adopted.

Where the Company incurs loss as a result of violation of the laws or the Articles of Association by directors and senior management officers in the course of performing their duties, shareholders individually or jointly holding more than 1% of the shares of the Company for more than 180 consecutive days shall have the rights to request in writing to the Supervisory Committee to initiate legal proceedings in the People's Court. Where the Company incurs loss as a result of violation of the laws or the Articles of Association by the Supervisory Committee in the course of performing its duties, the shareholders shall have the rights to request in writing to the Board to initiate legal proceedings in the People's Court.

If the Supervisory Committee or the Board refuses to initiate legal proceedings upon receipt of the written request of shareholders stated in the preceding paragraph, or fails to initiate such legal proceedings within 30 days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, the shareholders described in the preceding paragraph shall have the rights to initiate legal proceedings in the People's Court directly in their own names in the interest of the Company.

If any person infringes the lawful rights and interests of the Company, thus causing any loss to the Company, shareholders individually or jointly holding more than 1% of the shares of the Company for more than 180 consecutive days shall have the rights to initiate legal proceedings in the People's Court.

If any director or senior management officer is in violation of the laws or the Articles of Association, thus causing any loss to the shareholders, the shareholders may initiate legal proceedings in the People's Court.

Holders of ordinary shares of the Company shall assume the following obligations:

(I) to comply with the laws, administrative regulations and the Articles of Association;

(II) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(III) to be liable to the Company to the extent of the shares they subscribed;

(IV) save as stipulated by laws or regulations, no share refund is allowed;

(V) not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders; and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company. Where any shareholder of the Company abuses the shareholders' rights and incur losses to the Company or other shareholders, such shareholder shall be liable for the damages. Where shareholders of the Company abuse the Company's status as an independent legal entity and the limited liability of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such shareholders shall be jointly and severally liable for the debts owed by the Company;

(VI) other obligations imposed by the laws and the Articles of Association.

Shareholders are not liable for making any further contribution to the share capital other than as agreed by the subscribers of the relevant shares on subscription.

In addition to the obligations imposed by the laws or the listing rules of the stock exchange of the place where the Company's shares are listed, a controlling shareholder of the Company, in exercising its rights as a shareholder, shall not exercise his/her voting rights in respect to the following matters in a manner prejudicial to the interests of all or some of the shareholders of the Company:

(i) to relieve a director or supervisor of his/her duty to act honestly in the best interests of the Company;

(ii) to approve the directors or supervisors (for their own account or for the account of other parties) to deprive the Company of its assets in any manner, including, but not limited to, any opportunity favorable to the Company;

(iii) to approve the directors or supervisors (for their own account or for the account of other parties) to deprive another shareholder of his/her individual interests, including but not limited to any allocation right and voting right, but excluding any corporate restructuring proposal made at the shareholders' general meeting in accordance with the Articles of Association.

The controlling shareholders and de facto controller of the Company shall not use their affiliation to jeopardize the interests of the Company; otherwise, they shall make compensation for the loss incurred by the Company.

The controlling shareholders and de facto controller of the Company shall have fiduciary duties towards the Company and its public shareholders. The controlling shareholders shall exercise their rights as contributors in strict compliance with the laws, shall not infringe the legitimate rights and interests of the Company and its public shareholders through profit distribution, asset restructuring, foreign investment, appropriation of capital, offering security for loans, and shall not make use of their controlling status to jeopardize the interests of the Company and its public shareholders.

General Provisions for the Shareholders' General Meeting

The shareholders' general meeting is the power of authority of the Company and shall have the following functions and powers:

(i) to decide the Company's operational directions and investment plans;

(ii) to elect and replace directors and supervisors who are not staff representatives and to determine matters relating to the remuneration of the directors and supervisors;

(iii) to consider and approve the reports of the Board;

(iv) to consider and approve the reports of the Supervisory Committee;

(v) to consider and approve the Company's annual financial budgets and final accounts;

(vi) to consider and approve the Company's profit distribution plan and plan for recovery of losses;

(vii) to make resolutions on increase or reduction of the Company's registered capital;

(viii) to make resolutions on the issue of debentures by the Company;

(ix) to make resolutions on the merger, demerger, dissolution, liquidation or change of corporate form of the Company;

(x) to formulated and amend the Articles of Association;

(xi) to make resolutions on the issue of appointment, dismissal or non-reappointment of accounting firms;

(xii) to consider the motions put forward by shareholders individually or jointly holding more than three percent of the Company's shares with voting rights;

(xiii) to consider and approve the purchase or sale of material assets of the Company within one year exceeding 30% of the most recently audited total assets;

(xiv) to consider and approve stock incentive plan;

(xv) to consider and approve those connection transactions required to be resolved at a general meeting;

(xvi) other matters which shall be considered and passed at the shareholders' general meeting as prescribed by the laws, administrative regulations, departmental regulations, normative documents, relevant regulations of securities regulatory authority where the Company's shares are listed and the Articles of Association.

The shareholders in a general meeting may authorize the Board to carry out matters on their behalf or which they may sub-delegate to the Board provided that such authorization does not violates the laws, regulations and mandatory listing rules of the place where the Company is listed.

A shareholders' general meeting shall either be an annual general meeting or an extraordinary general meeting. In general, shareholders' general meetings shall be convened by the Board. Annual general meetings shall be held once every year and within six months from the close of the preceding accounting year.

The Board shall convene an extraordinary general meeting within two months from the occurrence of any of the following circumstances:

(1) when the number of directors is less than the number stipulated in the Company Law or two-thirds of the number specified in the Articles of Association;

(2) when the unrecovered losses of the Company amount to one-third of the total amount of its paid-in share capital;

(3) such is requested in writing by a shareholder alone or shareholders together (on the date of the written request) holding at least 10 percent of the Company's shares;

(4) the Board considers it necessary;

(5) the Supervisory Committee proposes that such a meeting be held;

(6) at least one-half of all of the independent non-executive directors agree to propose that such a meeting be held; or

(7) other circumstance as specified in laws or these Articles of Association.

Convening of Shareholders' General Meetings

In general, shareholders' general meetings shall be convened by the Board.

More than one half of the independent non-executive directors of the Company shall be entitled to make a proposal to the Board on holding an extraordinary general meeting. Such a proposal shall be made in writing form. For such a proposal, the Board shall give a written reply on whether to agree or not to hold such meeting within ten days upon receipt of the proposal in accordance with the laws, regulations and these Articles of Association. Where the Board agrees to hold such meeting, a notice of the general meeting shall be given within five days after the resolution of the Board is made. Where the Board does not agree to hold such meeting, its reasons shall be given in writing and an announcement be made.

Shareholders who request a general meeting of a class of shareholders shall comply with the following procedures:

(I) two or more shareholders who together hold 10% or more of the shares carrying the right to vote in the meeting can request the Board to convene a class meeting by signing one or several copies of written request(s) in the same form and content, and stating the motions and resolutions proposed. The Board shall convene the extraordinary general meeting or the class meeting as specified in the request as soon as possible. The shareholdings referred to above shall be calculated as of the date of request made.

(II) if no notice of convening a general meeting was issued within thirty days after the Board receiving the abovementioned written request(s), the shareholders making the request(s) can convene a meeting by themselves within four (4) months after the Board receiving the abovementioned written request(s), and the procedures for convening such meeting shall follow the procedures of the general meeting convened by the Board as much as possible.

All reasonable expenses incurred for such meeting convened by the shareholders as a result of the failure of the Board to convene a meeting as required by the above request(s) shall be borne by the Company and be set off against sums owed by the Company to the defaulting directors.

When the Supervisory Committee or shareholders itself/themselves convene a general meeting, the Board and the Secretary to the Board shall cooperate. The Board shall provide the register of shareholders as of the date of record. If the Board fails to provide the register of shareholders, the convener may apply to the securities depository or the agency to obtain the same on the strength of the relevant notice or announcement convening the general meeting. The register of shareholders obtained by the convener may not be used for any purpose other than to hold the general meeting. If the Supervisory Committee or shareholders convene(s) a shareholders' general meeting on its/their own, the necessary expenses shall be borne by the Company.

Proposal and Notice of General Meeting

As a general meeting is convened, the Board, the Supervisory Committee and any shareholders individually or jointly holding 3% or more of the Company's shares with voting rights in aggregate may propose any written resolution to the Company.

Shareholder(s) severally or jointly holding more than three percent shares of the Company may submit written provisional proposals to the convener ten days before a shareholders' general meeting is convened. The convener shall issue a supplemental announcement of shareholders' general meeting within 2 days after the receipt of such proposal, and announce the content of the provisional proposal, as well as submit such interim resolution to the shareholders' general meeting for consideration and approval. The contents of an interim resolution shall fall within the authority of the shareholders' general meeting and maintain topics for discussion and specific matters to be resolved.

Save as specified in the preceding paragraph, the convener shall not change the proposal set out in the notice of the shareholders' general meeting or add any new proposal after the said notice is served.

Voting and Resolutions of Shareholders' General Meetings

Resolutions of a shareholders' general meeting shall be divided into ordinary resolutions and special resolutions.

Ordinary resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding at least half of the voting rights.

Special resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding at least two-thirds of the voting rights.

The following issues shall be approved by ordinary resolutions at a shareholders' general meeting:

(i) work reports of the Board and the Supervisory Committee;

(ii) profit distribution plan and loss recovery plan formulated by the Board;

(iii) appointment and removal of the members of the Board and the Supervisory Committee, their remunerations and the method of payment thereof;

(iv) annual budgets and final accounts;

(v) balance sheets, income statements and other financial statements of the Company;

(vi) annual reports of the Company;

(vii) issues other than those that should be passed by special resolutions pursuant to the laws, administrative regulations, listing rules of the stock exchange where the Company's shares are listed or the Articles of Association.

The following issues shall be approved by special resolutions at a shareholders' general meeting:

(i) increase or reduction in the registered capital of the Company and the issue of shares of any class, warrants and other similar securities;

(ii) issue of corporate bonds;

(iii) division, merger, dissolution, liquidation or transformation of the Company;

(iv) amendment to the Articles of Association;

(v) material assets purchased or sold by the Company within one year exceeds 30% of the latest audited total assets of the Company;

(vi) equity incentive scheme;

(vii) other matters required by laws and administrative regulations, and listing rules of the place where the Company's shares are listed and the Articles of Association, and those, according to an ordinary resolution of the shareholders' general meeting, may have a significant impact on the Company and require adoption by means of a special resolution.

Shareholders (including their proxies) exercise voting power in the shareholders' general meeting with the number of voting shares represented by them, and each share has one vote.

The company shares held by the Company do not have voting power, and such shares are not counted in the total number of voting shares upon attendance at a shareholders' general meeting.

When a related transaction is considered at a shareholders' general meeting, the related shareholders shall not vote, and the voting shares represented by them shall not be counted in the total number of voting shares; the announcement of any resolution made at the shareholders' general meeting shall adequately disclose information relating to voting by non-related shareholders.

Special Procedures for Voting by Class Shareholders

Shareholders holding different classes of share shall be class shareholders.

Any variation or abrogation of the rights of class shareholders proposed by the Company shall be approved by a special resolution of the shareholders' general meeting and by the shareholders of the affected class at a separate class meeting convened in accordance with the Articles of Association.

The following circumstances shall be deemed to be variation or abrogation of the rights of shareholders of a certain class:

(i) increase or decrease in the number of shares of that class, or increase or decrease in the number of shares of another class having the same or more rights in voting, distribution or other privileges;

(ii) conversion of all or part of the shares of that class into shares of other classes, or conversion of all or part of the shares of other classes into shares of that class or granting rights of such conversion;

(iii) removal or reduction of the entitlement and rights to receive and retain dividends attributable to shares of that class;

(iv) reduction or removal of the right of priority to receive dividends or distribution of wealth in the event of liquidation attached to shares of that class;

(v) increase, removal or reduction of the right of conversion, options, voting rights, the right to transfer, priority in placement of shares and the right to acquire securities of the Company attached to shares of that class;

(vi) removal or reduction of the right to receive sums payable by the Company in particular currencies attached to shares of that class;

(vii) creation of a new class of shares having the same or more rights in voting, distribution or other privileges;

(viii) imposing or strengthening the restriction on the transfer of or the ownership of shares of that class;

(ix) issue of rights to subscribe for or convert into shares of that class or other class;

(x) increase in the rights and privileges of shares of other classes;

(xi) proposed restructure of the Company which shall result in different class shareholders having to assume disproportionate liabilities;

(xii) alteration or cancelation of the provision of this Articles of Association.

Shareholders of the affected class, whether or not having the right to vote at the shareholders' general meetings, shall have the right to vote at the class meeting in relation to any of the matters of the Company under circumstances (ii) to (viii) and (xi) to (xii) mentioned above, but interested shareholders shall not be entitled to vote at the class meeting.

A resolution of a class meeting shall be passed by at least a two-thirds majority calculated on the basis of the voting rights held by the shareholders present and entitled to vote at the class meeting.

The special procedures for voting by class shareholders shall not apply in the following circumstances:

(i) pursuant to a special resolution of the shareholders' general meeting, the Company issues domestic shares and overseas-listed foreign shares in a period of twelve months, either separately or concurrently, and the respective numbers of domestic shares and overseas-listed foreign shares proposed to be issued do not exceed twenty percent of the respective numbers of the issued shares;

(ii) issue of domestic shares upon establishment of the Company and issue of overseas-listed foreign shares pursuant to a plan approved by the securities regulatory agency of the State Council within fifteen months from the date of approval;

(iii) upon the approval of the securities regulatory agency of the State Council, the shares held by holders of domestic shares of the Company are transferred to overseas investors and listed for trading on an overseas stock exchange.

Directors and the Board

Directors

Directors shall be elected at the shareholders' general meeting with a term of three years. Upon the expiration of the term of office, a director shall be eligible to offer himself for re-election and reappointment.

A director is not required to hold any shares of the Company.

A director may resign before expiration of his term of service. For the purpose of resignation, the director shall submit a resignation report in writing to the Board. Relevant information shall be disclosed by the Board within two days. Where the resignation of any director resulting in the number of members of the Board of the Company to fall below the statutory quorum, the original Director shall continue to perform his/her duties as a director in accordance with laws, administrative regulations, department regulations and this Articles of Association.

Independent Directors

The Company shall establish an independent non-executive director system. The term "independent non-executive director of the Company" means a director who does not hold any position in the Company other than director and who has no relationship with the Company or its major shareholder(s) (only provided under this Articles of Association that major shareholders are those shareholders individually or jointly holding more than 5% of total number of the Company's shares with voting rights) that could hinder his or her independent and objective judgments, and who is in compliance with independence provisions of the rules of the stock exchange in the place where Company shares are listed. At least one-third of the members of the Board of the Company shall be independent non-executive directors, the total number of independent non-executive directors shall not be less than three, of whom at least one shall be a financial or accounting professional.

The term of office for independent non-executive directors shall be three years, and renewable upon re-election and re-appointment, but shall not exceed six years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where the Company's shares are listed. If an independent non-executive director fails to meet the conditions of independence or other circumstance arises which makes it inappropriate for him or her to perform his or her duties and responsibilities as an independent non-executive director, thereby causing the failure of the Company to meet the requirements of these Articles of Association concerning the number of independent non-executive directors, the Company shall make up the number of independent non-executive directors in accordance with regulations.

A person holding the position of independent non-executive director shall satisfy the basic conditions set forth below:

(I) to be qualified for directors of a listed company as provided in laws, administrative regulations, listing rules of the stock exchange where the Company's shares are listed and other relevant regulations;

(II) to comply with the requirements on independence as stipulated in the listing rules of the stock exchange where the Company's shares are listed;

(III) to possess the basic knowledge of the operations of listed companies, and be familiar with relevant laws, administrative regulations, and rules and regulations;

(IV) having at least five years of working experience in legal or economic areas, or other experience indispensable for performing the duties as independent non-executive directors; and

(V) other requirements provided in the Articles of Association.

Board

The Company shall have a Board comprising of 9 directors and 1 chairman. Among these members, 3 shall be independent non-executive directors.

At least one-third of members of the Board of the Company shall be independent non-executive directors, and the total numbers of independent non-executive directors shall not be less than three, of which at least one shall be from the financial or accounting profession.

The Board shall be accountable to the general meetings and exercise the following functions and powers:

(I) to convene general meetings and report its work to the general meetings;

(II) to implement the resolutions of the general meetings;

(III) to decide on the Company's business plans and investment plans;

(IV) to formulate the Company's annual financial budgets and final accounts;

(V) to formulate the Company's profit distribution plan and loss recovery plans;

(VI) to formulate proposals for the increase or reduction of the Company's registered capital and the issuance of shares, debentures or other securities and the listing project of the Company;

(VII) to formulate plans for major acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change of the nature of incorporation of the Company;

(VIII) to determine the investments, acquisition and disposal of assets, pledge of assets, designation of financial management, bank loans and connected transactions of the Company within the authorization of the general meeting;

(IX) to determine the external guarantees of the Company;

(X) to determine on the establishment of the Company's internal management structure and on the establishment or closing of the Company's sub-branches or representative offices;

(XI) to appoint or dismiss the general manager, secretary to the Board ; pursuant to the general manager's nominations to appoint or dismiss deputy general managers, financial controller and other senior management officers of the Company and to fix their remuneration, bonus and punishment;

(XII) to formulate the basic management systems of the Company;

(XIII) to formulate proposals for amendments to the Articles of Association;

(XIV) to manage the information disclosure of the Company;

(XV) to propose to the general meeting the appointment or replacement of an accounting firm that provides audit service of annual financial statement to the Company;

(XVI) to listen to the work reports of the Company's general manager and inspect his or her work;

(XVII) to decide the establishment of special committees and their compositions;

(XVIII) to consider the purchase made by the Company pursuant to the Article 32 Paragraph 1 Item 3, Item 5 and Item 6 of the Articles of Association;

(XIX) to exercise other functions and powers conferred by the laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed, at general meetings and these Articles.

Resolutions relating to the above, with the exception of items (VI), (VII), (XIII) and (XVIII) above which shall be approved by more than two thirds of the directors, shall be approved by more than half of the directors.

The board of directors must explain to the shareholders in the shareholders' general meeting when a registered accountancy firm issues a qualified audit opinion in respect of the Company's financial statements.

The Board shall formulate the rules of procedures of meetings of the Board to ensure the implementation of the resolutions of the general meeting, its work efficiently and decision making in proper manner. The rules of procedures shall be formulated by the Board and approved at the general meetings.

The chairman of the Board shall exercise the following functions and powers:

(I) to preside over general meetings, to convene and preside over meetings of the Board;

(II) to supervise and check on the implementation of the resolutions of the Board;

(III) to sign the securities issued by the Company;

(IV) to exercise other functions and powers conferred by the law, regulations, Articles of Association or the Board.

Meetings of the Board are divided into regular meetings and interim meetings. The Board shall hold at least four regular meetings each year. Meetings shall be convened by the chairman of the Board. The notice of meetings of the Board shall be served to all directors, supervisors, the general manager and the secretary to the Board by means of hand, mail or facsimile 14 days before the date of the meeting (for regular meetings) or by means of written notice five days before the date of the meeting (for extraordinary meetings). If an extraordinary meeting of the Board needs to be held as soon as possible due to urgent circumstances, a meeting notice may be given at any time by telephone or other oral method, provided that the convener gives an explanation thereof at the meeting and the same is entered into the meeting minutes.

Meetings of the Board may be held only if more than one half of the directors are present. When voting on board resolutions, each director shall have one vote.

Votes at meetings of the Board held in person (including meetings held by video conference) shall be held by disclosed ballot. If a director attends a meeting held in person by telephone conference or by way of other such communication equipment, so long as the directors attending the meeting in person can clearly hear what he or she says and communicate with him or her, all the directors in attendance shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the directors of their opinions at a meeting of the Board, votes may be held and resolutions may be adopted by means of correspondence, and such resolutions shall be signed by the directors in attendance, but a regular meeting of the Board, a meeting at which a major shareholder (only provided under this Articles of Association that major shareholders are those shareholders individually or jointly holding more than 10% of total number of the Company's shares with voting rights) or a director has a conflict of interest in a matter to be considered which the Board has determined to be material and a meeting held to discuss the appointment and dismissal of the secretary to the Board shall not be held by means of correspondence. A deadline shall be set for votes held by means of correspondence, and if a director fails to express his or her opinion by the specified deadline, he or she shall be deemed to abstain.

The Board shall keep minutes of its decisions on the matters considered at its meetings. The directors attending a meeting and the person taking the minutes shall sign the minutes of the meeting. The minutes of the Board shall be kept for a period of ten years.

If a director has a connected relationship with an enterprise involved in a matter on which a resolution is to be made at a meeting of the Board, he or she may not exercise his or her right to vote regarding such resolution, nor may he or she exercise the voting right of another director as such director's proxy thereon. Such a meeting of the Board may be held only if more than one half of the directors without a connected relationship are present, and the resolutions made at such a meeting of the Board shall require adoption by more than one half of the directors without a connected relationship. If the meeting of the Board is attended by less than three directors without a connected relationship, the matter shall be submitted to the general meeting for consideration.

Special committees of the Board

Where necessary, the Board may establish relevant special committees such as the nomination committee, audit committee, and remuneration and appraisal committee to provide advice and suggestions for the material decisions of the Board and the exercise of duties by the chairman of the Board within the scope of authorization of the Board. The Board shall formulate separate terms of reference for each of the special committees of the Board to determine the composition, duties and procedures of meetings of such special committees.

Secretary to the Board

The Company shall have a secretary to the Board, who shall be employed and dismissed by the Board. The secretary to the board shall be a member of the senior management members of the Company and be accountable to the Company and the Board.

The secretary to the Board shall be a natural person with the necessary professional knowledge and experience. He or she shall be appointed by the Board. His or her main duties shall be as set forth below:

(I) to prepare and deliver reports and documents issued by the Board and general meetings as required by competent authorities;

(II) to prepare and submit reports and documents of the Board and general meeting;

(III) to prepare meetings of the Board and the shareholders' general meetings in accordance with legal procedure; to attend meetings of the Board and take minutes; and to sign on the minutes ensuring the accuracy;

(IV) to maintain confidentiality in respect of information, formulating confidentiality measures; and taking timely remedies including explanation and clarification upon the leakage of insider information;

(V) to maintain the register of shareholders, register of directors, information on major shareholders and the shareholding of directors as well as the seal of the Board; to keep meeting documents and minutes of meetings of the Board and shareholders' meetings;

(VI) to help directors, supervisors and senior management understand their responsibilities conferred by laws and regulations, Articles of Association, the other rules and policies;

(VII) to procure the Board to exercise powers by laws; to object promptly when any resolutions of the Board violate laws and regulations, the Articles of Association and relevant rules; to record the situation in the minutes if the Board insists on making the aforesaid resolutions, and simultaneously submit such minutes of the meeting to all the directors and Supervisors;

(VIII) to provide consultation and advices regarding the material decisions of the Company;

(IX) other duties as provided by laws, regulations and these Articles of Association and required by the securities regulators of the place where the shares of the Company are listed.

A director or other senior management member of the Company other than the general manager and head of Financial Management Department may also act as the secretary to the Board of the Company. Any accountant from accounting firm or lawyer from law firm which has been appointed by the Company shall not act as the secretary to the Board.

Where the office of secretary is held concurrently by a director, and an act is required to be done by a director and a secretary separately, the person who holds the office of director and secretary shall not perform the act in a dual capacity.

General Manager and Other Senior Management

The Company shall have one general manager, several deputy general managers, all of whom are appointed or dismisses by the Board.

The term of office of the general manager and deputy general manager shall be three years. The general manager and deputy general manager shall be re-elected upon reappointment. The directors may take concurrently the posts of general manager and deputy general manager.

Persons who hold any position other than that of director with the Company's Controlling Shareholder or Actual Controller may not serve in senior management members positions of the Company.

The general manager shall be accountable to the Board and perform the following duties and powers:

(i) to lead the management and operation, to organize and implement the resolutions of the Board, and to report to the Board;

(ii) to organize the implementation of the Company's annual business plan and investment plan;

(iii) to draft plans for the establishment of the Company's internal management structure;

(iv) to formulate the Company's basic management system;

(v) to formulate the specific rules and regulations of the Company;

(vi) to propose the appointment or dismissal of the Company's deputy general manager(s) and chief financial officer;

(vii) to appoint or dismiss the management other than appointment or dismissal by the Board;

(viii) other duties and powers granted by the Articles of Association and the general meeting.

General manager of the Company has the right to attend the Board meetings as non-voting observers and the general manager who is not a director has no voting right.

The general manager shall formulate Detailed Rules for the Work of the General Manager and implement the same after their approval by the Board.

Supervisory Committee

The Company shall have a Supervisory Committee.

Supervisory Committee shall be composed of three persons. Supervisory Committee shall have one chairman. The appointment and removal of the chairman of the supervisory committee shall be made by a resolution passed by two-thirds or more of the members of the supervisory committee.

The term of office for the members of the committee shall be three years and shall be eligible for re-election when the term of office expires.

Supervisors who are not employee representatives shall be elected or removed by the shareholders in general meetings. Supervisors who are employee representatives of the Company shall be elected or removed democratically, and shall be not less than one-third of the total number of supervisors.

The director, general manager and other senior management shall not act concurrently as a supervisor.

Regular meetings of the Supervisory Committee shall be held at least once every six months, and shall be convened by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee is unable to or fails to perform and exercise his/her functions and powers, a meeting of the Supervisory Committee shall be convened and presided over by a Supervisor jointly nominated by more than half of the Supervisors.

The Supervisory Committee shall be accountable to the general meeting and perform the following duties and powers:

(i) to review the Company's periodical reports prepared by the Board and to provide comments in writing;

(ii) to review the Company's financial condition;

(iii) to supervise the directors, general manager and other senior management in the performance of their duties to the Company and to propose the removal of any director and senior management who violates the laws, the Articles of Association or resolutions of the shareholders' general meetings;

(iv) to demand rectification from the directors, general manager and other senior management of the Company where their conducts are detrimental to the interests of the Company;

(v) to propose the holding of extraordinary general meetings and, in the event that the Board fails to perform its duty of convening and presiding over a general meeting, to convene and preside over such a meeting in accordance with the law;

(vi) to submit motions to the general meeting;

(vii) to sue directors or senior management members in accordance with relevant laws; and

(viii) to conduct an investigation and, if necessary, engage professional organizations, such as accounting firms and law firms, to assist it in its work in the event that it discovers any irregularities in the Company's operations.

The reasonable expenses incurred in engaging a professional, such as a lawyer, certified public accountant, professional auditor, etc., by the Supervisory Committee in exercising its functions and powers shall be borne by the Company.

The meetings of the board of supervisors shall vote in registration. Each of the supervisors has one voting right. Resolutions of the Supervisory Committee must be passed by votes representing more than two-thirds of the members of the Supervisory Committee.

Minutes shall be taken for all supervisors' meetings and be signed by all attending supervisors. Any supervisor who has different views on the minutes can make a written explanation when signing the minutes

The minutes of meetings of the Supervisory Committee, together with the meeting notice, meeting materials, meeting sign-in register, the instruments of appointment of supervisor proxies, the sound recording of the meeting and the vote ballots shall serve as Company files and be kept by the office of the Supervisory Committee for a period of not less than ten years.

Qualifications and Obligations of Directors, Supervisors and Senior Management Officers of the Company

None of the persons in any of the following situations shall serve as the directors, supervisors, general manager or other senior management officers of the Company:

(i) being without civil capacity or having limited civil capacity;

(ii) having been penalized or sentenced due to an offense of corruption, bribery, encroachment on property, misappropriation of property or disruption of the socialist market economy, or having been deprived of political rights due to the committing of any crime, and in each case, five years not having elapsed since the completion of the relevant penalty, sentence or deprivation;

(iii) having been a former director, factory director or manager of a company or enterprise which had been bankrupt and liquidated whereby such person was personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the liquidation of the company or enterprise;

(iv) having been the legal representative of a company or enterprise which business license was revoked and which business was compulsorily closed down due to violation of laws whereby such person was personally liable, and three years not having elapsed since the date of revocation of the business license of the company or enterprise;

(v) being a debtor personally liable for a relatively large debt which has not been paid as it fell due;

(vi) having been subject to an investigation by judicial authorities for suspected offense and the lawsuit is not settled yet;

(vii) being prohibited from being senior management of enterprises by the laws;

(viii) being a non-natural person;

(ix) having been convicted by the relevant competent authorities for violations of securities regulations and acting fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;

(x) having been prohibited from accessing the securities market as penalization by the CSRC, where the specified prohibition period has not been fulfilled yet.

The validity of the conduct of directors, general manager or other senior management officers who act in good faith on behalf of the Company with respect to third parties shall not be affected by any irregularity in their appointments, elections or qualifications.

In addition to the obligations required by the laws, administrative regulations or listing rules of the stock exchange on which shares of the Company are listed, the directors, supervisors, general manager and other senior management officers of the Company shall have the following obligations to each shareholder in the exercise of the powers of the Company entrusted to them:

(i) not to cause the Company to exceed the scope of business stipulated in its business license;

(ii) to act honestly in the best interests of the Company;

(iii) not to deprive the Company in any way of its properties, including but not limited to the opportunities beneficial to the Company;

(iv) not to deprive the shareholders of personal interest, including but not limited to the allotment rights and the voting rights, but excluding the restructuring of the Company submitted to the shareholders' general meeting for approval in accordance with these Articles.

The directors, supervisors, general manager and other senior management of the Company shall perform their duties in accordance with the principle of honesty and shall not put themselves in a position where their duties and their interests may conflict. These principles include but not limited to the following:

(i) to act, bona fide, in the best interests of the Company;

(ii) to exercise powers within the scope of their powers;

(iii) to exercise their discretion vested in them and not to allow themselves to act under the control of another and, unless and to the extent permitted by the laws, administrative regulations or with the consent of shareholders' general meeting, not to delegate others to exercise their discretion;

(iv) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;

(v) not to enter into any contract, transaction or arrangement with the Company unless otherwise provided by the Articles of Association or with the consent of shareholders' general meeting;

(vi) not to use the Company's property for their own benefit without the consent of shareholders' general meeting;

(vii) not to exploit their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;

(viii) not to accept commissions in connection with the transactions of the Company without the consent of shareholders' general meeting;

(ix) to abide by the Articles of Association, perform their official duties faithfully and protect the interests of the Company, and not to exploit their positions and powers in the Company for their own interests;

(x) not to use their position to obtain business opportunities which should be available to the Company for themselves or others, or to run his/her own or others' business which is similar to the Company's business and not to compete with the Company in any way without the consent of the shareholders' general meeting;

(xi) not misappropriating the Company's funds, nor depositing the assets of the Company in accounts in their names or other names and providing guarantees for debts of the shareholders of the Company or other individual(s) with the assets of the Company;

(xii) unless otherwise permitted by the shareholders' general meeting with its full knowledge, keeping confidential the information relating to the Company acquired by them in the course of and during their tenure and not to use the information other than in furtherance of the interests of the Company, save that the disclosure of such information to the court or other government authorities is permitted if the disclosure is:

1. by order of the laws;
2. in the interests of the public;
3. in the interests of the relevant directors, supervisors, general manager and other senior management officers.

The fiduciary duties of the directors, supervisors, general manager and other senior management officers of the Company do not cease with the termination of their tenure. The duty of confidentiality in relation to trade secrets of the Company survives the termination of their tenure. Other duties may continue for such period as fairly required depending on the time lapse between the occurrence of the incident and the termination of the tenure and the situation and conditions that the relationship with the Company are terminated.

Unless otherwise provided by the Articles of Association, duties imposed on the directors, supervisors, general manager and other senior management officers of the Company due to violation of a specific obligation by such persons may be discharged as consented by a shareholders' general meeting.

Where the directors, supervisors, general manager and other senior management officers of the Company is in any way, directly or indirectly, materially interested in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than contracts of service of the directors, supervisors, general manager and other senior management officers with the Company), they shall declare the nature and extent of their interests to the Board as soon as possible, whether or not the related matters under normal circumstances is subject to the approval of the Board.

The Company shall not in any manner pay taxes on behalf of its directors, supervisors, general manager and other senior management officers.

The Company shall not, directly or indirectly, make a loan or provide any guarantee for a loan to the directors, supervisors, general manager and other senior management officers of the Company or the Company's parent company or any of their respective associates.

The prohibition mentioned in the preceding provisions shall not apply to the following circumstances:

(i) a loan or a guarantee for a loan by the Company to its subsidiaries;

(ii) a loan or a guarantee for a loan or other funds to any of its directors, supervisors, general manager and other senior management officers by the Company to meet expenditure incurred or to be incurred by them in the interests of the Company or for the purpose of enabling them to perform duties for the Company in accordance with the terms of an employment contract approved by the shareholders' general meeting;

(iii) If the normal business scope of the Company includes provision of loan and loan guarantee, the Company may provide loan and loan guarantee to relevant directors, supervisors, general manager and other senior executives and their connected persons, but the conditions for providing loan or loan guarantee shall be normal business conditions.

A loan made by the Company, regardless of its conditions, in breach of the aforesaid regulations shall be repaid to the Company immediately by the recipient of the loan.

A loan and a guarantee made by the Company in breach of the provisions shall not be mandatorily enforced against the Company, unless under the following circumstances:

(i) the loan provider unknowingly provides loans to personnel related to the directors, supervisors, general manager or other senior management officers of the Company or its parent company;

(ii) the collateral provided by the Company is sold lawfully by the loan provider to the buyer in good faith.

In addition to the rights and remedies provided by the laws, where the directors, supervisors, general manager and other senior management officers of the Company are in breach of their duties to the Company, the Company has the right to:

(i) claim damages from such directors, supervisors, general manager and other senior management officers for losses incurred to the Company as a result of their dereliction of duties;

(ii) rescind any contract or transaction entered into by the Company with the directors, supervisors, general manager and other senior management officers or with a third party (where such third party knows or should have known that there is a breach of duties of such directors, supervisors, general manager and other senior management officers);

(iii) require the directors, supervisors, general manager and other senior management officers to surrender the profits made due to a breach of duties;

(iv) recover any money received by the directors, supervisors, general manager and other senior management officers which should have been received by the Company, including but not limited to commissions;

(v) require the payment of interest earned or which may have been earned by the directors, supervisors, general manager and other senior management officers on the money that should have been paid to the Company.

The Company shall enter into written contracts on issues regarding the remuneration with the directors and supervisors, and submit such contracts to the shareholders' general meeting for approval. The aforesaid remunerations shall include:

(1) the remunerations in respect of his/her service as director, supervisor or senior management of the Company;

(2) the remunerations in respect of his/her service as director, supervisor or senior management of any subsidiary of the Company;

(3) the remunerations in respect of the provision of other services in connection with the management of the affairs of the Company and any of its subsidiaries; and

(4) the payment by way of compensation for loss of office, or as consideration for or in connection with retirement from office as a director or supervisor.

Financial and Accounting Systems and Profits Distribution

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the PRC accounting standards formulated by relevant authorities of the State Council.

At the end of each fiscal year, the Company shall prepare a financial report which shall be audited by an accounting firm according to law.

The fiscal year of the Company shall coincide with the calendar year, i.e. from January 1 to December 31 on the Gregorian calendar. The Company shall adopt RMB as its denominated currency for booking and accounting purposes, and the account books shall be recorded in Chinese.

The Company shall publish the financial reports twice per fiscal year. An interim financial report shall be published within sixty days from the end of the first six months of a fiscal year, while an annual financial report shall be published within one hundred and twenty days after the completion of each fiscal year.

The Board of the Company shall submit financial reports prepared by the Company as required by relevant laws at every annual general meeting.

The Company's financial reports shall be made available for shareholders' inspection at the Company twenty days before the date of the annual general meeting. Each shareholder has the right to receive such financial reports mentioned in this Chapter.

The Company shall send a copy of the aforesaid report or the report of the board, balance sheets (including each document as prescribed by applicable laws to be attached to the balance sheets) and income statement or statement of income and expenditure, or summary of the financial report to each holder of overseas-listed foreign-invested shares at least twenty-one days before the shareholders' general meeting at the address recorded in the register of shareholders. Notices of general meetings of the Company can be given by way of public announcement (including publication on the website of the Company) to the extent permitted under all applicable laws and regulations and the listing rules in the place where the Company is listed.

In addition to the PRC accounting standards and regulations, the financial statements of the Company shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed. And material discrepancy between the financial statements prepared in accordance with two different accounting standards shall be explained in the notes to the financial statements. Distribution of profits after tax of the relevant financial year shall be based on the lower of the profits after tax shown in the two financial statements mentioned above.

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as international accounting standards or the accounting standards of the places outside the PRC where shares of the Company are listed.

The Company shall not keep accounts other than those required by the laws. The assets of the Company shall not be kept under the name of any individual.

Capital reserve fund includes the following items:

(i) premium proceeds from the shares issued over their par value;

(ii) any other income required to be included in the capital reserve fund by the competent finance department of the State Council.

During the distribution of its after-tax profit for the current year, the Company shall withdraw 10% after-tax profit as statutory common reserve fund.

The Company may not withdraw statutory common reserve fund if the cumulative amount has exceeded 50% of the Company's registered capital.

Where the statutory common reserve fund of the Company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before the withdrawing of the statutory common reserve fund in accordance with the above provisions.

After the withdrawing the statutory common reserve fund from the after-tax profit by the Company, the discretionary reserve may be withdrawn from the after-tax profit with the approval from the general meeting.

The remaining profit after taxation after recovery of losses and appropriation of reserve fund shall be distributed to shareholders in proportion of their shareholdings unless it is stipulated in the Articles of Association that no profit distribution shall be made in accordance with shareholdings.

If the shareholders' general meeting violates the provisions in the preceding paragraph and profits are distributed to the shareholders before the Company makes up for losses or makes allocations to the statutory common reserve fund, the profits distributed in violation of the provisions shall be returned by such shareholders to the Company.

Profits attributable for the shares of the Company held by it shall not be distributed to the Company.

The reserve funds of the Company shall be applied for making up for losses, expanding the Company's production and operation or capitalization. However, the capital reserve fund shall not be applied for making up losses of the Company.

The statutory reserve fund after capitalization shall not be less than 25% of the registered capital of the Company before the capitalization.

The Company may distribute dividends by the following ways (or a combination of both):

(1) cash;

(2) stocks.

Any payment for the shares paid before calls on shares shall be entitled to dividends. However, shareholders shall not be entitled to the participation of dividends where the dividends are subsequently declared.

The Company shall appoint receiving agents on behalf of the holders of overseas-listed foreign invested shares to receive, on behalf of the relevant shareholders, the dividends declared and other receivables, and to keep such payment on behalf of the shareholders for giving to them.

The receiving agents appointed by our Company shall meet the requirements in local laws or in relevant stock exchange regulations in the place of listing.

The receiving agents appointed for holders of overseas-listed foreign-invested shares listed in the Hong Kong shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Subject to the relevant laws of the PRC, the Company may exercise its right of forfeiture over unclaimed dividends, provided that such right cannot be exercised prior to the expiration of the applicable statute of limitation.

The Company has the right to terminate the despatch of dividend warrants to holders of overseas-listed foreign-invested shares by mail, provided that such right shall not be exercised until the dividend warrants have not been cashed for two consecutive occasions. However, where the dividend warrant is undelivered to the addressee and returned, the Company may exercise such right.

The Company has the right to sell, in such manner as the Board thinks fit, any shares of a holder of overseas-listed foreign-invested shares who is untraceable, subject to and conditional upon:

(1) the Company was, during a period of 12 years, required to pay at least three dividends in respect of the shares in question but no dividend during that period was claimed;

(2) on expiry of the 12 years the Company gives notice of its intention to sell the shares by way of an announcement published in one or more newspapers in the place where the Company is listed and notifies the securities regulator of the place where its shares are listed of such intention.

After the Company's general meeting has passed a resolution on the profit distribution plan, the Company's Board must complete the dividend (or share) distribution within two months after the general meeting.

Cash dividends and other payments by the Company to holders of domestic investment shares shall be distributed and paid in Renminbi, whereas those to holders of overseas listed foreign investment shares shall be denominated and declared in Renminbi and paid in foreign currency. The foreign currency for the cash dividends and other payments by the Company to holders of overseas listed foreign investment shares and other holders of foreign investment shares shall be handled in accordance with state regulations on foreign exchange control.

When distributing dividends to shareholders, the Company shall withhold and turn over the tax payable on the dividend income of shareholders based on the amount distributed and in accordance with PRC tax laws. The Company shall implement an internal auditing system and appoint dedicated auditing personnel to carry out internal auditing and supervision of the Company's financial revenues and expenditures, and economic activities.

The Company's internal auditing system and the responsibilities of its auditing personnel shall be implemented after the approval thereof by the Board. The person in charge of auditing shall be accountable and report to the Board.

Internal Audit and Appointment of an Accounting Firm

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of the State to audit the Company's annual financial reports and review the Company's other financial reports.

The term of office of the accounting firm appointed by the Company shall commence from the conclusion of the annual general meeting at which the appointment is made and shall end at the conclusion of the next annual general meeting.

An accounting firm appointed by the Company shall have the following rights:

(i) the right of accessing to the account books, records or vouchers of the Company and the right to require directors, the general manager and other senior management members of the Company to provide relevant information and explanations;

(ii) the right to require the Company to take reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties;

(iii) the right to attend shareholders' meetings in a non-voting capacity, to receive notice of or other information concerning any shareholders' meetings which shareholders are entitled to receive notice or other information, and to be heard at any shareholders' meetings on any matter which relates to it as the accounting firm of the Company.

Notwithstanding the terms of contract between the accounting firm and the Company, the shareholders' general meeting may dismiss the accounting firm by ordinary resolution before the expiration of term of office of the accounting firm. The dismissal shall not limit the rights of the accounting firm to claim for compensation arising out of its dismissal to the Company (if any).

The remuneration of an accounting firm or the manner in which such firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

The engagement, dismissal or non-renewal of engagement of an accounting firm shall be decided upon by the general meeting and be reported to the State Council's securities authority for the record.

Where the Company dismisses or ceases to reappoint the accounting firm, prior notice shall be given to the accounting firm, and the accounting firm shall be entitled to state its opinions to the shareholders' general meeting. Where the accounting firm tenders resignation, it shall state to the shareholders' general meeting whether the Company has anything inappropriate.

Any accounting firm may resign from its office by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as may be stipulated in such notice. Such notice shall include the following:

(i) a statement to the effect that there are no circumstances connected to its resignation which it considers should be brought to the attention of the shareholders or creditors of the Company; or

(ii) a statement of any matters of which an account should be given.

The Company shall send a copy of the notice referred to in the preceding paragraph to the relevant responsible department within fourteen days after receipt. If the notice contains a statement as mentioned in item (2) of the preceding paragraph, a copy of such statement shall be placed at the Company for the inspection of shareholders. The Company shall also send the said copy of such statement to each shareholder entitled to receive financial reports of the Company. The addresses of addressees shall be those registered in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement in respect of the above, it may require the Board to convene an extraordinary general meeting for the purpose of receiving an explanation of the circumstances connected with its resignation.

Merger, Division, Capital Increase and Capital Reduction of the Company

In the event of a merger or division of the Company, the Board of the Company shall submit a proposal, which shall be passed in accordance with the procedures stipulated in the Articles of Association and go through relevant examination and approval formalities pursuant to the laws. Shareholders who object to the merger or division proposal shall be entitled to request the Company or the consenting shareholders to acquire such dissenting shareholders' shares at a fair price. The content of the resolution of merger or division of the Company shall constitute special documents which shall be available for inspection by the shareholders. The documents as stated above shall be sent by mail to holders of overseas-listed foreign shares.

Where the Company undertakes a merger, the relevant parties to the merger shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days of the date on which the resolution is made regarding the merger and shall publish an announcement in the newspaper within thirty days. The creditors are entitled to require the Company to repay the debts or provide corresponding guarantees within thirty days after the receipt of such notices or within forty-five days if no such notice is received.

In the event of a merger of the Company, the rights and obligations of the debts of the parties to the merger shall be assumed by the Company surviving the merger or the new company established after the merger.

Where the Company is divided, its property shall be divided correspondingly.

Where the Company is divided, the Company shall prepare a balance sheet and an inventory of assets. The Company shall notify its creditors within ten days of the date the resolution is made regarding the division and publish at least three announcements in the newspaper within thirty days.

The Company established after the division shall assume joint and several liability for the debts incurred by the Company before the division, unless otherwise stipulated in written agreement on the settlement of debts entered into by the Company and its creditors prior to the division.

The Company must prepare a balance sheet and an inventory of assets when it is to reduce its registered capital.

The Company shall notify its creditors within ten days from the date of the Company's resolution to reduce registered capital and shall publish an announcement in a newspaper which recognized by the relevant regulatory authorities in the place where the Company's shares are listed within thirty days from the date of such resolution and in the websites of the Company and the relevant stock exchange in accordance with the requirements of the place where the Company's shares are listed. Creditors shall, within thirty days of having received the notice or within forty-five days since the date of the announcement for those who have not received the written notice, be entitled to demand the Company to repay the debts or provide corresponding guarantees.

The registered capital of the Company after the capital reduction shall not fall below the statutory minimum amount.

Where a change in any item in its registration arises as a result of any merger or division, the Company shall apply for change in its registration with the Company registration authority in accordance with the laws. Where the Company is dissolved, the Company shall apply for cancelation of its registration in accordance with the laws. Where a new company is established, the Company shall apply for registration thereof in accordance with the laws.

Where the Company increases or decreases its registered capital, procedures for change of registration shall be handled at the Company registration authority in accordance with the laws.

Dissolution and Liquidation of the Company

In any of the following circumstances, the Company shall be dissolved and carry out liquidation in accordance with the laws:

(i) dissolution as resolved by a shareholders' general meeting;

(ii) dissolution as a result of merger or division of the Company;

(iii) declaration of bankruptcy in accordance with the laws due to failure to repay debts due of the Company;

(iv) its business license is revoked or it is ordered to close down its business or its business license is canceled in accordance with the laws;

(v) where the Company suffers significant hardship in its operation or management so that the interests of its shareholders are subject to significant loss if the Company continues to exist, and that the situation cannot be resolved by other means, the shareholders holding ten percent or more of the voting rights of all the shareholders of the Company may file petition to the People's Court to dissolve the Company;

(vi) other circumstances when the Company should be dissolved in accordance with laws and regulations.

If the Company is dissolved pursuant to (i), (vi) and (v) above, it shall establish a liquidation committee, within fifteen days from the event of dissolution of the Company to commence the liquidation. The composition of the liquidation committee of the Company shall be determined by the directors or an ordinary resolution of shareholders' general meeting. If no liquidation committee is set up within the prescribed period to commence the liquidation, the creditors may request the people's court to designate related persons to form a liquidation committee to carry out liquidation.

If the Company is dissolved pursuant to (iii) above, the People's Court shall in accordance with the provisions of relevant laws organize the shareholders, relevant organizations and relevant professionals to establish a liquidation committee to proceed with the liquidation.

Where the Board decides to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), the Board shall, in its notice convening a shareholders' general meeting, declare that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to repay its debts within twelve months after the commencement of the liquidation.

Upon passing of the resolution at the shareholders' general meeting for the liquidation, all functions and powers of the Board of the Company shall cease forthwith.

The liquidation committee shall give notices to the creditors within ten days after its establishment and issue announcements in the newspaper within sixty days. The creditors shall report claims to the liquidation committee within thirty days after the date of the receipt of such notices or within forty-five days after the date of the announcement if no notice is received.

When reporting claims, a creditor shall explain the relevant particulars of the claims and provide supporting materials. The liquidation committee shall register the claims in accordance with the laws.

In the period of reporting claims, the liquidation committee should not make any debt repayment to the creditors.

The liquidation committee shall exercise the following functions and powers during the liquidation:

(i) to sort out the property of the Company and prepare a balance sheet and an inventory of assets respectively;

(ii) to give notices or publish announcements to the creditors;

(iii) to deal with unsettled businesses of the Company in relation to the liquidation;

(iv) to settle due taxes and taxes accrued during the liquidation;

(v) to settle claims and debts;

(vi) to deal with the remaining assets after the Company's debts have been repaid;

(vii) to participate in civil litigations on behalf of the Company.

After the liquidation committee has sorted out the property of the Company and prepared a balance sheet and an inventory of assets, it shall formulate a liquidation scheme and report it to the shareholders' general meeting or relevant authorities for confirmation.

The residual assets of the Company will be distributed to Shareholders in proportion to their shareholdings after the payment of the liquidation costs, employees' salaries, social insurance and statutory compensation and taxes in arrears, and the settlement of the Company's debts.

During the liquidation, the Company remains in existence but shall not carry out any operating activity which does not relate to the liquidation.

The property of the Company shall not be distributed to the shareholders before the debts are settled pursuant to the preceding provisions.

After the People's Court declares bankruptcy of the Company, the liquidation committee shall hand over the liquidation matters to the People's Court.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and a statement of incomes and expenses and the financial accounts for the liquidation period, and after verification by PRC certified public accountants, shall submit the same to the shareholders' general meeting or People's Court for confirmation. The liquidation committee shall, within thirty days after the date of confirmation of the shareholders' general meeting or People's Court, submit the aforesaid documents to the Company registration authority, apply to deregister the Company and publish an announcement on the dissolution of the Company.

Procedures for Amending the Articles of Association

In any of the following circumstances, the Company shall amend the Articles of Association:

(i) after the Company Law or relevant laws and administrative regulations have been amended, the matters stipulated in the Articles of Association are in conflict with the provisions of the revised laws and administrative regulations;

(ii) the circumstances of the Company have changed, which are inconsistent with the matters recorded in the Articles of Association;

(iii) the shareholders' general meeting decided to amend the Articles of Association.

Notice and Announcement

Notices of the Company may be given or provided by one or more of the following means:

(i) by hand;

(ii) by mail;

(iii) by such electronic means as e-mail, fax, etc. or on information media;

(iv) by way of a public announcement;

(v) other means recognized by the securities regulator of the place where Company shares are listed or specified in these Articles of Association.

Unless otherwise specified in these Articles of Association, for notice issued by the Company to the holders of overseas-listed foreign shares (by way of announcement), the Company shall on the same day submit an electronic version to the Hong Kong Stock Exchange through the Hong Kong Stock Exchange EPS for immediate release on the website of the Hong Kong Stock Exchange in accordance with the Hong Kong Listing Rules. The announcement shall also be published on the Company's website. In addition, the notice must be delivered to each of the registered addresses as appeared in the register of holders of overseas-listed foreign shares by personal delivery or postage paid mail so as to give the shareholders sufficient notice and time to exercise their rights or act in accordance with the terms of the notice.

Holders of overseas-listed foreign shares of the Company may choose in writing to receive the corporate communication that the Company must send to shareholders either by electronic means or by post, and also choose to receive the English language version only or the Chinese language version only or both the English and Chinese language versions. They shall have the right at any time by reasonable prior written notice served on the Company to change their choices as to the manner of receiving the same and the language in accordance with applicable procedures.

For any notice delivered by hand, the addressee shall sign or seal with chop on the receipt slip and the date of delivery shall be the date of the confirmation of receipt by such addressee. For any notice delivered by mail, the date of delivery shall be 48 hours upon the delivery to the post office. For any notice delivered by an announcement, the date of delivery shall be the date on which such announcement is initially published.

Settlement of Disputes

The Company follows the following rules for settlement of disputes:

(i) Whenever any disputes or claims arising between: holders of the Overseas-Listed Foreign-Invested Shares and the Company; holders of the Overseas-Listed Foreign-Invested Shares and the Company's directors, supervisors, general manager or other senior management officer; or holders of the overseas-listed foreign shares and holders of domestic shares, based on these Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other relevant PRC laws concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration.

The aforesaid dispute or claim submitted for arbitration shall be the entire dispute or claim; all the persons who complain for the same reason or who are required to participate in the settlement of the dispute or claim shall accept the arbitration award if they are the Company or its shareholders, directors, supervisors or senior management officers.

Disputes relating to definition of shareholders and shareholders' register may be settled by means other than arbitration.

(ii) The applicant for arbitration may select China International Economic and Trade Arbitration Commission for arbitration following the arbitration rules thereof or select Hong Kong International Arbitration Center for arbitration following the securities arbitration rules thereof. After the applicant for arbitration submits the dispute or claim for arbitration, the other party shall accept arbitration at the arbitral body selected by the applicant.

If the applicant for arbitration selects Hong Kong International Arbitration Center for arbitration, either party may request that the arbitration be conducted in Shenzhen following the securities arbitration rules of Hong Kong International Arbitration Center.

(iii) Settlement of disputes or claims set out in (i) by way of arbitration shall be governed by the PRC laws save as otherwise specified by the laws and administrative regulations.

(iv) The arbitration award made by the arbitral body shall be final and binding on both parties.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated in the PRC under the Company Law as a limited liability company on April 30, 2006 and then converted into a joint stock limited liability company on December 10, 2015. Our registered office is at the Intersection of Lusong Road and Dongfanghong Road, Changsha High-tech Development Zone, Changsha, Hunan Province, the PRC. We have established a place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. Our Company was registered with the Companies Registry in Hong Kong as a non-Hong Kong company under Part 16 of Companies Ordinance on December 24, 2018. Ms. Leung Suet Wing (梁雪穎) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong set out above.

As our Company was incorporated in the PRC, our operation, corporate structure and the Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of certain aspects of the relevant laws and regulations of the PRC, and a summary of certain aspects of our Articles of Association are set out in Appendix VI and Appendix VII to this prospectus, respectively.

2. Change in share capital of our Company

Our registered capital as at the date of our incorporation was RMB255,000,000. The following sets out the changes of our share capital since the date of our incorporation:

(a) On July 12, 2013, our registered capital increased by RMB30,770,000 to RMB285,770,000.

(b) On December 10, 2015, our Company was converted into a joint stock limited liability company, with the registered capital of RMB285,770,000, divided into 285,770,000 issued Domestic Shares with a nominal value of RMB1.00 each.

(c) On December 27, 2017, our registered capital increased by RMB18,900,000 to RMB304,670,000.

(d) On March 28, 2019, the registered capital of the Company increased by RMB60,934,000 to RMB365,604,000.

For details, please refer to the section headed "History and Development".

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the registered share capital of our Company will be RMB487,472,000 divided into 365,604,000 Domestic Shares and 121,868,000 H Shares.

Save as disclosed above in this appendix, there has been no alteration in the registered share capital of our Company since our incorporation.

3. The 2018 fourth extraordinary general meeting of the Company held on December 15, 2018

Pursuant to the extraordinary general meeting of our Company held on December 15, 2018, the following resolutions, among others, were duly passed:

(a) the issue by our Company of the H Shares of nominal value of RMB1.00 each, representing up to 30% of the total share capital of the Company upon completion of the

Global Offering (before the exercise of the Over-allotment Option) and such H Shares being listed on the Hong Kong Stock Exchange;

(b) the granting of the Over-allotment Option in respect of no more than 15% of the number of our H Shares issued as mentioned above;

(c) subject to the completion of the Global Offering, the amended Articles of Association have been approved and adopted which will become effective from the Listing Date, and the Board and person(s) authorized by the Board have been authorized to amend the Articles of Association in accordance with any comments from the Hong Kong Stock Exchange and the relevant PRC regulatory authorities. The terms of the Articles of Association are summarized in Appendix VII to this prospectus; and

(d) approving the Board and person(s) authorized by the Board to handle all matters relating to, among other things, the issue of our H Shares and the Listing of our H Shares on the Hong Kong Stock Exchange.

4. Changes in share capital of our subsidiaries

Our subsidiaries are listed in Note 1 to the section headed "Appendix I—Accountants' Report". There is no change in the registered capital of our subsidiaries took place during the two years preceding the date of this prospectus.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) were entered into by us within the two years preceding the date of this prospectus, which are or may be material, and a copy of each has been delivered to the Registrar of Companies in Hong Kong for registration:

a. the non-competition agreement dated October 11, 2019 entered into among the Company, Chairman Zhang and Ms. Liu, details of which are set out in the section headed "Relationship with the Controlling Shareholders—Non-competition Agreement and Undertakings";

b. the Hong Kong Underwriting Agreement, details of which are set out in the section headed "Underwriting";

c. the cornerstone investment agreement dated October 20, 2019, entered into among the Company, Zoomlion International Trading (H.K.) Co., Limited and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Zoomlion International Trading (H.K.) Co., Limited agreed to subscribe for the H Shares in amount of RMB210.00 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price, rounded down to the nearest whole board lot of 300 H Shares;

d. the cornerstone investment agreement dated October 20, 2019, entered into among the Company, Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) agreed to subscribe for the H Shares in amount of RMB200.00 million (exclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price, rounded down to the nearest whole board lot of 300 H Shares;

e. the cornerstone investment agreement dated October 20, 2019, entered into among the Company, Evergreen Commercial Company Limited* (長青商務有限公司) and China International Capital Corporation Hong Kong Securities Limited, pursuant to which Evergreen Commercial Company Limited* (長青商務有限公司) agreed to subscribe for the H Shares in amount of HK$30.00 million (including the brokerage, SFC transaction levy and Hong Kong Exchange trading fee) at the Offer Price, rounded down to the nearest whole board lot of 300 H Shares;

f. the share subscription agreements in connection with the capital increase of the Company in 2017:

(i) the share subscription agreement dated December 15, 2017 entered into between the Company and Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership)* (湖南鼎信日新股權投資管理企業(有限合夥), pursuant to which Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership)* (湖南鼎信日新股權投資管理企業(有限合夥) subscribed for 410,000 new shares of the Company at a consideration of RMB14,350,000 and the supplemental agreement dated September 15, 2018 entered into among the Company, Chairman Zhang, Hunan Broad Lingmu House Equipment Co., Ltd.* (湖南遠大鈴木住房設備有限公司) and Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership)* (湖南鼎信日新股權投資管理企業(有限合夥) to, among others, terminate certain shareholder rights of Hunan Dingxinrixin Share Capital Investment Management Partnership (Limited Partnership)* (湖南鼎信日新股權投資管理企業(有限合夥) with effect from the Listing Date;

(ii) the share subscription agreement dated December 15, 2017 entered into between the Company and Hunan Xiangjiang Haijie Equity Investment Partnership Enterprise (Limited Partnership)* (湖南湘江海捷股權投資合夥企業（有限合夥）), pursuant to which Hunan Xiangjiang Haijie Equity Investment Partnership Enterprise (Limited Partnership)* (湖南湘江海捷股權投資合夥企業（有限合夥）) subscribed for 5,710,000 new shares of the Company at a consideration of RMB199,850,000 and the supplemental agreement dated September 15, 2018 entered into between the Company and Hunan Xiangjiang Haijie Equity Investment Partnership Enterprise (Limited Partnership)* (湖南湘江海捷股權投資合夥企業（有限合夥）) to, among others, terminate certain shareholder rights of Hunan Xiangjiang Haijie Equity Investment Partnership Enterprise (Limited Partnership)* (湖南湘江海捷股權投資合夥企業（有限合夥）) with effect from the Listing Date;

(iii) the share subscription agreement dated December 21, 2017 entered into between the Company and Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership)* (杭州富陽上九靜遠股權投資合夥企業（有限合夥）), pursuant to which Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership)* (杭州富陽上九靜遠股權投資合夥企業（有限合夥）) subscribed for 4,280,000 new shares of the Company at a consideration of RMB149,800,000 and the supplemental agreement dated October 10, 2018 entered into between the Company and Hangzhou Fuyang Shangjiu Jingyuan Equity Investment Partnership Enterprise (Limited Partnership)* (杭州富陽上九靜遠股權投資合夥企業（有限合夥）) to, among others, terminate certain shareholder rights of Hangzhou Fuyang Shangjiu Jingyuan Equity Investment

Partnership Enterprise (Limited Partnership)* (杭州富陽上九靜遠股權投資合夥企業（有限合夥）) with effect from the Listing Date;

(iv) the share subscription agreement dated December 21, 2017 entered into between the Company and Peng Xingni (彭杏妮), pursuant to which Peng Xingni (彭杏妮) subscribed for 1,430,000 new shares of the Company at a consideration of RMB50,050,000 and the supplemental agreement dated September 15, 2018 entered into between the Company and Peng Xingni (彭杏妮) to, among others, terminate certain shareholder rights of Peng Xingni (彭杏妮) with effect from the Listing Date;

(v) the share subscription agreement dated December 21, 2017 entered into between the Company and Wang Yongxian (王擁嫻), pursuant to which Wang Yongxian (王擁嫻) subscribed for 630,000 new shares of the Company at a consideration of RMB22,050,000 and the supplemental agreement dated September 15, 2018 entered into between the Company and Wang Yongxian (王擁嫻) to, among others, terminate certain shareholder rights of Wang Yongxian (王擁嫻) with effect from the Listing Date;

(vi) the share subscription agreement dated December 21, 2017 entered into between the Company and Xinyu Dongxi Intelligent Home Industrial Investment Partnership Enterprise (Limited Partnership)* (新余東西精華智能住工投資合夥企業(有限合夥)), pursuant to which Xinyu Dongxi Intelligent Home Industrial Investment Partnership Enterprise (Limited Partnership)* (新余東西精華智能住工投資合夥企業(有限合夥)) subscribed for 1,040,000 new shares of the Company at a consideration of RMB36,400,000 and the supplemental agreement dated September 30, 2018 entered into between the Company and Xinyu Dongxi Intelligent Home Industrial Investment Partnership Enterprise (Limited Partnership)* (新余東西精華智能住工投資合夥企業(有限合夥)) to, among others, terminate certain shareholder rights of Xinyu Dongxi Intelligent Home Industrial Investment Partnership Enterprise (Limited Partnership)* (新余東西精華智能住工投資合夥企業(有限合夥)) with effect from the Listing Date;

(vii) the share subscription agreement dated December 22, 2017 entered into between the Company and Changsha Jiuwo Private Equity Fund Partnership Enterprise (Limited Partnership)* (長沙玖沃私募股權基金合夥企業(有限合夥)), pursuant to which Changsha Jiuwo Private Equity Fund Partnership Enterprise (Limited Partnership)* (長沙玖沃私募股權基金合夥企業 (有限合夥)) subscribed for 2,000,000 new shares of the Company at a consideration of RMB70,000,000 and the supplemental agreement dated September 15, 2018 entered into between the Company and Changsha Jiuwo Private Equity Fund Partnership Enterprise (Limited Partnership)* (長沙玖沃私募股權基金合夥企業 (有限合夥)) to, among others, terminate certain shareholder rights of Changsha Jiuwo Private Equity Fund Partnership Enterprise (Limited Partnership)* (長沙玖沃私募股權基金合夥企業 (有限合夥)) with effect from the Listing Date;

(viii) the share subscription agreement dated December 26, 2017 entered into between the Company and Hunan Caixin Industry Fund Management Co., Ltd.* (湖南省財信產業基金管理有限公司), pursuant to which Hunan Caixin Industry Fund Management Co., Ltd.* (湖南省財信產業基金管理有限公司) subscribed for 550,000 new shares of the Company at a consideration of RMB19,250,000, the supplemental agreement dated September 15, 2018 entered into between the Company and Hunan Caixin Industry Fund Management Co., Ltd.* (湖南省財信產業基金管理有限公司) to, among others, terminate certain shareholder rights of Hunan Caixin Industry Fund Management Co., Ltd.* (湖南省財信產業基金管理有限公司) with effect from the Listing Date, and the second supplemental agreement dated October 17, 2019 entered into between the Company and Hunan Caixin Industry Fund Management Co., Ltd.* (湖南省財信產業基金管理有限公司) to, among others, change the termination effective date from the Listing Date to the signing date thereof;

(ix) the share subscription agreement dated December 26, 2017 entered into between the Company and Kong Jianguo (孔建國), pursuant to which Kong Jianguo (孔建國) subscribed for 850,000 new shares of the Company at a consideration of RMB29,750,000 and the supplemental agreement dated September 15, 2018 entered into between the Company and Kong Jianguo (孔建國) to, among others, terminate certain shareholder rights of Kong Jianguo (孔建國) with effect from the Listing Date;

(x) the share subscription agreement dated December 26, 2017 entered into between the Company and Hunan Friendship & Apollo Commercial Co., Ltd.* (湖南友誼阿波羅商業股份有限公司), pursuant to which Hunan Friendship & Apollo Commercial Co., Ltd.* (湖南友誼阿波羅商業股份有限公司) subscribed for 2,000,000 new shares of the Company at a consideration of RMB70,000,000 and the supplemental agreement dated October 8, 2018 entered into between the Company and Hunan Friendship & Apollo Commercial Co., Ltd.* (湖南友誼阿波羅商業股份有限公司) to, among others, terminate certain shareholder rights of Hunan Friendship & Apollo Commercial Co., Ltd.* (湖南友誼阿波羅商業股份有限公司) with effect from the Listing Date; and

g. the investment corporation agreement dated July 1, 2019 entered into between the Company and Cize Holding Limited, pursuant to which the Company agreed to, among others, acquire 35% equity interest in Industrial Park Grójec sp. z o.o. at a consideration of PLN6,475,000.

2. Intellectual property rights

As of the Latest Practicable Date, we have registered the following intellectual property rights which we consider to be material or potentially material to our business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be material or potentially material to our business:

No.	Registrant	Trademark	Place of Registration	Registration Number	Class	Expiry Date
1.	The Company	远大住工	Hong Kong	304605660AB	9,19,42	July 19, 2028
2.	The Company	远大住工	Hong Kong	304616442AB	36	July 29, 2028
3.	The Company	远大住工	The PRC	6934679	19	May 13, 2020
4.	The Company	远大住工	The PRC	6934674	40	November 13, 2020
5.	The Company	远大住工	The PRC	6934675	42	September 27, 2020

No.	Registrant	Trademark	Place of Registration	Registration Number	Class	Expiry Date
6.	The Company		The PRC	6934688	19	May 27, 2020
7.	The Company		The PRC	6934685	40	November 13, 2020
8.	The Company		The PRC	6934684	42	March 6, 2021
9.	The Company	PCMaker	Hong Kong	304616433AB	36	July 29, 2028
10.	The Company	PCMaker	The PRC	24483708	9	June 13, 2028
11.	The Company	PCMaker	The PRC	24483857	19	June 13, 2028
12.	The Company	PCMaker	The PRC	24483926	35	June 13, 2028
13.	The Company	PCMaker	The PRC	24484150	36	June 13, 2028
14.	The Company	PCMaker	The PRC	24484001	37	June 6, 2028
15.	The Company	PCMaker	The PRC	24483291	41	June 6, 2028
16.	The Company	PCMaker	The PRC	24484412	42	June 13, 2028
17.	The Company; Broad Technology Group Limited* (遠大科技集團有限公司)	BROAD	The PRC	6753104	11	December 6, 2021
18.	The Company; Broad Technology Group Limited* (遠大科技集團有限公司)	远大	The PRC	6753101	11	December 6, 2021
19.	The Company; Broad Technology Group Limited* (遠大科技集團有限公司)	远大	The PRC	1439599	11	August 27, 2020

No.	Registrant	Trademark	Place of Registration	Registration Number	Class	Expiry Date
20.	The Company; Broad Technology Group Limited* (遠大科技集團有限公司)	远大	The PRC	1527632	11	February 20, 2021
21.	The Company	Broad House	The PRC	16389178	37	June 20, 2026
22.	The Company	Broad House	The PRC	16388847	19	April 13, 2026
23.	The Company	Bhouse	The PRC	16830533	37	September 20, 2027
24.	The Company	远铃	The PRC	1251533	11	February 27, 2029
25.	The Company	远大铃木	The PRC	1251534	11	February 27, 2029
26.	The Company	远铃	The PRC	3542068	6	November 20, 2024
27.	The Company	远铃	The PRC	3542069	11	December 20, 2024
28.	The Company	Discovery	The PRC	10706538	19	July 27, 2023
29.	The Company	Discovery	The PRC	10706699	37	September 20, 2023
30.	The Company	Discoverer	The PRC	10706553	19	July 27, 2023
31.	The Company	Discoverer	The PRC	10706719	37	July 27, 2023
32.	The Company	Broad Oaks Manor	The PRC	13812117	36	April 13, 2025

No.	Registrant	Trademark	Place of Registration	Registration Number	Class	Expiry Date
33.	The Company	美恩特	The PRC	4886012	19	March 6, 2029

Patents

As of the Latest Practicable Date, we have registered the following patents which we consider to be material or potentially material to our business:

No.	Registrant	Type	Patent Name	Place of Registration	Patent Number	Date of Application	Duration of Patent Right
1	Hunan Broad Engineering Design Co. Ltd.* (湖南遠大工程設計有限公司)	Invention	Building structure assembled from concrete floor plate cabinet units (由混凝土密肋板箱體單元裝配的建築結構)	The PRC	ZL200910044222.2	August 31, 2009	20 years
2	The Company	Invention	Precast concrete multi-functional exterior wall hanging board system (預製混凝土多功能外牆掛板體系)	The PRC	ZL201110039673.4	February 17, 2011	20 years
3	The Company	Invention	A type of fully broken bridge convex window (一種全斷橋外凸窗)	The PRC	ZL201110339120.0	November 1, 2011	20 years
4	Ningxiang Broad	Invention	A non-metal connection piece (一種非金屬連接件)	The PRC	ZL201210267840.5	July 31, 2012	20 years
5	The Company	Invention	A type of new process for precast concrete unit tiles (一種預製混凝土構件貼磁磚新工藝)	The PRC	ZL201310003319.5	January 6, 2013	20 years
6	The Company	Invention	Vertical mould (立模)	The PRC	ZL201310091941.6	March 21, 2013	20 years
7	The Company	Invention	Porcelain bonding machine (貼瓷片機)	The PRC	ZL201310091886.0	March 21, 2013	20 years
8	Broad Homes Industrial (Tai'an Lianqiang) Co., Ltd.* (泰安市聯強遠大住宅工業有限公司), the Company	Invention	Movable leveling machine (移動式整平機)	The PRC	ZL201310091942.0	March 21, 2013	20 years
9	Xiangtan Broad	Invention	Trowel (抹光機)	The PRC	ZL201310091957.7	March 21, 2013	20 years

No.	Registrant	Type	Patent Name	Place of Registration	Patent Number	Date of Application	Duration of Patent Right
10	The Company	Invention	Production method and equipment for pre-tensioned pre-stressed mould units of movable table (活動台模先張法預應力預製構件生產方法及設備)	The PRC	ZL201310227539.6	June 8, 2013	20 years
11	Ningxiang Broad	Invention	Hydraulic transfer device (液壓轉運裝置)	The PRC	ZL201310307753.2	July 22, 2013	20 years
12	Anhui Broad	Invention	Stacker (堆碼機)	The PRC	ZL201310307835.7	July 22, 2013	20 years
13	Hangzhou Broad	Invention	Automatic mould manipulator (自動裝模機械手)	The PRC	ZL201310361036.8	August 19, 2013	20 years
14	Hangzhou Broad	Invention	New-type flipable feeding vehicle (新型翻轉式送料車)	The PRC	ZL201310385506.4	August 30, 2013	20 years
15	The Company	Invention	A type of vertical mould concrete pouring and distributing machine (一種立模混凝土澆注布料機)	The PRC	ZL201310442183.8	September 26, 2013	20 years
16	The Company	Invention	A type of orbital rotary docking device (一種軌道旋轉對接裝置)	The PRC	ZL201310442201.2	September 26, 2013	20 years
17	The Company	Invention	Cabinet structure building system and method (箱形結構建築體系及方法)	The PRC	ZL201310536637.8	November 4, 2013	20 years
18	The Company	Invention	Precast sandwich laminated shear wall and continuous rebar equivalent cast-on-site shear wall structure (預製夾心疊合剪力牆連續鋼筋等同現澆剪力牆結構)	The PRC	ZL201310685713.1	December 16, 2013	20 years
19	The Company	Invention	Automatic line-marking machine (自動劃線機)	The PRC	ZL201410004541.1	January 6, 2014	20 years

No.	Registrant	Type	Patent Name	Place of Registration	Patent Number	Date of Application	Duration of Patent Right
20	The Company	Invention	A type of preparation process and structure for precast concrete exterior wall decorative surface (一種預製混凝土外牆外裝飾面製備工藝及其結構)	The PRC	ZL201410173259.6	April 28, 2014	20 years
21	Ningxiang Broad	Invention	Precast Laminated connection piece between main beam and secondary beam and their connecting structure (預製疊合主次樑連接件及其連接結構)	The PRC	ZL201410181870.3	May 4, 2014	20 years
22	Hunan Broad Engineering Design Co. Ltd.	Invention	Precast sandwich exterior wall panel connection node (預製夾心外牆板的連接節點)	The PRC	ZL201410340657.2	July 17, 2014	20 years
23	The Company	Invention	Construction method for precast sandwich exterior wall panel connection node (預製夾心外牆板的連接節點的施工方法)	The PRC	ZL201410340648.3	July 17, 2014	20 years
24	Xiangtan Broad	Invention	The pre-embedded shear connector box and its processing method of prefabricated exterior wall panel（預製外牆板的預埋剪力鍵槽盒及其加工方法）	The PRC	ZL201410340658.7	July 17, 2014	20 years
25	Yueyang Broad	Invention	Precast sandwich exterior wall panel with shear connector box and its processing method（帶剪力鍵槽盒的預製夾心外牆板及其加工方法）	The PRC	ZL201410340503.3	July 17, 2014	20 years

No.	Registrant	Type	Patent Name	Place of Registration	Patent Number	Date of Application	Duration of Patent Right
26	Broad Construction Industrial	Invention	External working platform and operation method for prefabricated buildings (裝配式建築專用外掛式作業平台及其操作方法)	The PRC	ZL201410412870.X	August 21, 2014	20 years
27	Broad Construction Industrial	Invention	Elevator shaft formwork platform and its construction method (電梯井模板平台及其施工方法)	The PRC	ZL201410846252.6	December 31, 2014	20 years
28	Anhui Broad	Invention	Bolting, staking, riveting and coupling method and structure for fully prefabricated building precast units (全裝配式建築預製構件螺栓加榫鉚聯結方法及結構)	The PRC	ZL201510150765.8	April 1, 2015	20 years
29	Chenzhou Broad Homes Industrial Co., Ltd.* (郴州遠大住宅工業有限公司)	Invention	Prefabricated building wall panel and floor slab rivet joint node and its construction method (裝配式建築牆板與樓板拉接榫鉚一體節點及其施工方法)	The PRC	ZL201510285384.0	May 29, 2015	20 years
30	The Company	Invention	Hanging connection structure and construction method of prefabricated exterior wall panel and shear wall (預製外牆板與剪力牆的幹掛連接結構及其施工方法)	The PRC	ZL201510359436.4	June 26, 2015	20 years

No.	Registrant	Type	Patent Name	Place of Registration	Patent Number	Date of Application	Duration of Patent Right
31	The Company	Utility model	Hanging connection structure of prefabricated exterior wall panel and prefabricated beam (預製外牆板與預製梁的幹掛連接結構)	The PRC	ZL201520444848.3	June 26, 2015	10 years
32	Hunan Broad Engineering Design Co. Ltd.	Invention	Hanging connection structure and construction method of prefabricated exterior wall panel and prefabricated beam (預製外牆板與預製梁的幹掛連接結構及其施工方法)	The PRC	ZL201510359230.1	June 26, 2015	20 years
33	Hunan Broad Engineering Design Co. Ltd.	Invention	Precast exterior wall panel connection box and connection node (預製外牆板連接盒及連接節點)	The PRC	ZL201510359810.0	June 26, 2015	20 years
34	Broad Construction Industrial	Invention	Rebar positioning frame for external shear wall construction and its positioning method (外剪力牆施工用鋼筋定位框及其定位方法)	The PRC	ZL201510619219.4	September 25, 2015	20 years
35	The Company	Invention	Special auxiliary support rod units for precast wall panel with door hole (帶門洞預製牆板專用輔助支撐杆組件)	The PRC	ZL201510628211.4	September 29, 2015	20 years
36	Shanghai Broad	Invention	Line pipe outlet interface component of prefabricated units and its construction method (預製構件中線管出牆接口組件及其施工方法)	The PRC	ZL201510634724.6	September 30, 2015	20 years

No.	Registrant	Type	Patent Name	Place of Registration	Patent Number	Date of Application	Duration of Patent Right
37	Xiangtan Broad	Utility model	Prefabricated building exterior wall hanging node and prefabricated exterior wall with the node (裝配式建築外牆幹掛節點及具有該節點的預製外牆)	The PRC	ZL201520812554.1	October 21, 2015	10 years
38	Changsha Broad Homes Industrial (Jiangsu) Co., Ltd.* (長沙遠大住宅工業(江蘇)有限公司)	Invention	Prefabricated building exterior wall hanging node and prefabricated exterior wall with the node (裝配式建築外牆幹掛節點及具有該節點的預製外牆)	The PRC	ZL201510680897.1	October 21, 2015	10 years
39	Broad Construction Industrial	Invention	Anti-corrosion structure of hanging node of prefabricated building exterior wall and its construction method (裝配式建築外牆幹掛節點的防腐結構及其施工方法)	The PRC	ZL201510680350.1	October 21, 2015	20 years
40	The Company	Invention	Construction process of fully precast laminated prefabricated underground integrated pipe gallery (全預製疊合裝配式地下綜合管廊的施工製作工藝)	The PRC	ZL201610385650.1	June 3, 2016	20 years
41	The Company	Utility model	Laminated prefabricated underground pipe gallery system (疊合裝配式地下管廊體系)	The PRC	ZL201620529579.5	June 3, 2016	10 years

No.	Registrant	Type	Patent Name	Place of Registration	Patent Number	Date of Application	Duration of Patent Right
42	The Company	Utility model	Fully precast laminated prefabricated underground integrated pipe gallery and its connecting node (全預製疊合裝配式地下綜合管廊及其連接節點)	The PRC	ZL201620529558.3	June 3, 2016	10 years
43	The Company	Utility model	New prefabricated building connection node (新型裝配式建築連接節點)	The PRC	ZL201620529549.4	June 3, 2016	10 years
44	The Company	Utility model	A type of laminated prefabricated basement with beamless hollow floor system (一種無梁空心樓蓋體系的疊合裝配整體式地下室)	The PRC	ZL201620872130.9	August 12, 2016	10 years
45	The Company	Utility model	Connection node of laminated sandwich wall side wall and precast base plate (疊合夾心牆側牆與預製底板的連接節點)	The PRC	ZL201621001831.1	August 31, 2016	10 years
46	Yueyang Broad Homes Industrial Co., Ltd.* (岳陽遠大住宅工業有限公司)	Invention	Lifting device (起吊裝置)	The PRC	ZL201710518371.2	June 29, 2017	20 years
47	The Company	Utility model	Mould for prefabricated building wall panel production (裝配式建築牆板生產用模具)	The PRC	ZL201721395167.8	October 25, 2017	10 years
48	Xiangtan Broad	Utility model	A type of prefabricated wall with beam and panel (一種樑帶板預製牆體)	The PRC	ZL201721496541.3	November 10, 2017	10 years

No.	Registrant	Type	Patent Name	Place of Registration	Patent Number	Date of Application	Duration of Patent Right
49	Zhejiang Xinbang Broad Green Construction Industrial Co., Ltd.* (浙江新邦遠大綠色建築產業有限公司), the Company	Utility model	Support system for integrally pouring laminated plates and wall panels (疊合板與牆板一體澆築的支撐體系)	The PRC	ZL201721593471.3	November 24, 2017	10 years
50	Changde Broad Construction Industrial Co., Ltd.* (常德遠大建築工業有限公司), the Company	Utility model	Laminated exterior wall one-line connection node (疊合外牆一字型連接節點)	The PRC	ZL201721725824.0	December 12, 2017	10 years
51	Broad Homes Industrial (Qingdao Shangliu) Co., Ltd.* (青島上流遠大住宅工業有限公司), the Company	Utility model	Laminated wall structure (疊合牆體結構)	The PRC	ZL201721720020.1	December 12, 2017	10 years

Domain names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material or potentially material to our business:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1.	www.bhome.com.cn	the Company	March 8, 2000	March 8, 2028
2.	www.bhouse.com	the Company	November 25, 2002	November 25, 2020

Software copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which we consider to be material or potentially material to our business:

No.	Software Name	Registrant	Registration Number	Date of Registration
1	Broad Supply Chain Synergetic System (for PC) [Abbreviation: BSCC] V1.0 (遠大供應鏈協同系統(PC端) [簡稱:BSCC] V1.0)	the Company; Beijing Wangda Lixin Information Technology Co., Ltd.* (北京網達立信信息技術有限公司)	2017SR596570	October 31, 2017
2	Broad Supply Chain Synergetic System (for Mobile Devices) [Abbreviation: BSCC] V1.0 (遠大供應鏈協同系統(移動端) [簡稱:BSCC] V1.0)	the Company; Beijing Wangda Lixin Information Technology Co., Ltd.* (北京網達立信信息技術有限公司)	2017SR594701	October 31, 2017

No.	Software Name	Registrant	Registration Number	Date of Registration
3	Design, Drawing and Material Calculation System for Reinforced Concrete Prefabricated Components [Abbreviation: PCMaker] V1.0 (鋼筋混凝土預製構件參數化設計、出圖及算料系統 [簡稱: PCMaker] V1.0)	the Company	2015SR288406	December 29, 2015
4	Broad Homes Finance Management System [Abbreviation: FMS] V1.0 (遠大住工資金管理系統[簡稱:FMS] V1.0)	the Company	2018SR027972	January 11, 2018
5	Broad Homes Learning Management System [Abbreviation: LMS] V1.0 (遠大住工學習管理系統 [簡稱: LMS] V1.0)	the Company	2017SR593288	October 30, 2017
6	Cloud Assembly Software [Abbreviation: Cloud Assembly] V1.0 (雲裝配軟件 [簡稱:雲裝配] V1.0)	the Company	2018SR438301	June 11, 2018
7	PCMaker I Prefabricated Building Design BIM System [Abbreviation: PCMaker I] V1.1 (PCMaker I裝配式建築設計BIM系統[簡稱：PCMaker I] V1.1)	Changsha Broad Homes Intelligent Technology Co., Ltd.* (長沙遠大住工智能科技有限公司)	2018SR704198	September 3, 2018
8	Peijiang Cloud Management System [Abbreviation: Peijiang Cloud] V1.0 (配匠雲管理系統[簡稱：配匠雲] V1.0)	Changsha Broad Homes Intelligent Technology Co., Ltd.* (長沙遠大住工智能科技有限公司)	2019SR0088341	January 24, 2019

C. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS

1. Particulars of Directors' and Supervisors' Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we entered into a contract with each of the Directors and Supervisors on October 11, 2019 in respect of, among other things, (i) compliance of relevant laws or regulations, (ii) observance of the Articles and Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors and Supervisors has or is proposed to enter into a service contract with any member of the Company other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

2. Remuneration of Directors and Supervisors

Save as disclosed in the section headed "Directors, Supervisors and Senior Management — Remuneration of Directors and Supervisors" in this prospectus, none of the Directors and Supervisors received other remuneration from the Company for each of the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019.

3. Agency Fees or Commissions Received

Save in connection with the Underwriting Agreements, none of our Directors, Supervisors, promoters and any of the persons whose names are listed in "– D. Other Information – Qualification of experts" in this appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years prior to the date of this prospectus.

4. Disclosure of Interests of Directors and Supervisors

Immediately following the completion of the Global Offering, save as disclosed in the following table, no Director, Supervisor or chief executive will have any interest and/or short position in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO):

(a) which will be required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of Part XV of the SFO, to be entered in the register referred to therein; and

(b) which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange, once the H Shares are listed:

Name of the Director	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the Company immediately prior to the Global Offering	Approximate percentage of shareholding in the total share capital of the Company immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option)	Approximate percentage of shareholding in the total share capital of the Company immediately upon completion of the Global Offering (assuming full exercise of the Over-allotment Option)
Chairman Zhang	Beneficial owner	Domestic Shares	171,507,840	46.91%	35.18%	33.91%
	Interest held by controlled corporations *Note 1*	Domestic Shares	101,912,160	27.88%	20.91%	20.15%
		Total:	**273,420,000**	**74.79%**	**56.09%**	**54.06%**
Ms. Tang Fen	Beneficial owner *Note 2*	Domestic Shares	1,800,000	0.49%	0.37%	0.36%
Ms. Shi Donghong	Interest held by spouse *Note 3*	Domestic Shares	9,012,000	2.46%	1.85%	1.78%
	Beneficial owner *Note 2*	Domestic Shares	1,800,000	0.49%	0.37%	0.36%
		Total:	**10,812,000**	**2.96%**	2.22%	2.14%
Mr. Zhang Kexiang	Beneficial owner *Note 2*	Domestic Shares	840,000	0.23%	0.17%	0.17%

Name of the Director	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the Company immediately prior to the Global Offering	Approximate percentage of shareholding in the total share capital of the Company immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option)	Approximate percentage of shareholding in the total share capital of the Company immediately upon completion of the Global Offering (assuming full exercise of the Over-allotment Option)
Mr. Tan Xinming	Beneficial owner Note 2	Domestic Shares	840,000	0.23%	0.17%	0.17%
Mr. Zhang Quanxun . . .	Interest held by controlled corporations Note 4	Domestic Shares	25,404,000	6.95%	5.21%	5.02%

Notes:

(1) Broad Lingmu directly holds 66,176,160 Domestic Shares, Daxin Investment directly holds 18,600,000 Domestic Shares, Dazheng Investment directly holds 12,000,000 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Chairman Zhang. Chairman Zhang is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment. Chairman Zhang directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Chairman Zhang indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Chairman Zhang is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.

(2) Each of Ms. Tang Fen, Ms. Shi Donghong, Mr. Zhang Kexiang and Mr. Tan Xinming has been granted certain Shares through Daxin Investment and Dazheng Investment. For details, please refer to the section headed "History and Development—Equity incentives in our history" and Note 8 and Note 29 to "Appendix I—Accountants' Report".

(3) Mr. Zhou Bin (周斌), the spouse of Ms. Shi Donghong, directly holds 3,876,000 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Mr. Zhou Bin is the general partner of Fuyang Shangjiu. Therefore, Ms. Shi Donghong is deemed to be interested in 9,012,000 Domestic Shares for the purpose of Part XV of the SFO.

(4) Yuanzhi Fuhai directly holds 25,404,000 Domestic Shares. The general partners of Yuanzhi Fuhai are Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) which is ultimately controlled by Shenzhen SASAC and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）) which is ultimately controlled by Mr. Zhang Quanxun (張權勳) (our non-executive Director) and Mr. Cheng Houbo (程厚博). Therefore, Mr. Zhang Quanxun (張權勳) is deemed to be interested in such Domestic Shares held by Yuanzhi Fuhai for the purpose of Part XV of the SFO.

(5) The Shares referred to in this sub-section are all long positions.

5. Disclosure of Interests of Substantial Shareholders

To the best of the Directors' knowledge and information, the following persons will, immediately following completion of the Global Offering, have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings:

Name of the Shareholder	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the Company immediately prior to the Global Offering	Approximate percentage of shareholding in the total share capital of the Company immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option)	Approximate percentage of shareholding in the total share capital of the Company immediately upon completion of the Global Offering (assuming full exercise of the Over-allotment Option)
Chairman Zhang	Beneficial owner	Domestic Shares	171,507,840	46.91%	35.18%	33.91%
	Interest held by controlled corporations[Note 1]	Domestic Shares	101,912,160	27.88%	20.91%	20.15%
		Total:	**273,420,000**	**74.79%**	**56.09%**	**54.06%**
Broad Lingmu	Beneficial owner	Domestic Shares	66,176,160	18.10%	13.58%	13.08%
	Interest held by controlled corporations[Note 1]	Domestic Shares	17,136,000	4.69%	3.52%	3.39%
		Total:	**83,312,160**	**22.79%**	17.09%	16.47%
Yuanzhi Fuhai	Beneficial owner[Note 2]	Domestic Shares	25,404,000	6.95%	5.21%	5.02%
Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%	5.21%	5.02%
Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司)	Interest held by controlling corporations[Note 2]	Domestic Shares	25,404,000	6.95%	5.21%	5.02%
Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%	5.21%	5.02%
Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業（有限合夥）)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%	5.21%	5.02%
Mr. Zhang Quanxun (張權勳)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%	5.21%	5.02%
Mr. Cheng Houbo (程厚博)	Interest held by controlled corporations[Note 2]	Domestic Shares	25,404,000	6.95%	5.21%	5.02%
Daxin Investment	Trustee[Note 3]	Domestic Shares	18,600,000	5.09%	3.82%	3.68%
Zoomlion International Trading (H.K.) Co., Limited[Note 4]	Beneficial owner	H Shares	21,027,600	—	4.31%	4.16%

Name of the Shareholder	Nature of interest	Class of Shares	Number of Shares	Approximate percentage of shareholding in the Company immediately prior to the Global Offering	Approximate percentage of shareholding in the total share capital of the Company immediately upon completion of the Global Offering (assuming no exercise of the Over-allotment Option)	Approximate percentage of shareholding in the total share capital of the Company immediately upon completion of the Global Offering (assuming full exercise of the Over-allotment Option)
Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司)[Note 4]	Interest held by controlled corporations	H Shares	21,027,600	—	4.31%	4.16%
Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司)[Note 5] . . .	Beneficial owner	H Shares	20,026,500	—	4.11%	3.96%
Changsha Industry Investment Co., Ltd.* (長沙市產業投資集團有限公司)[Note 5]	Interest held by controlled corporations	H Shares	20,026,500	—	4.11%	3.96%

Notes:

(1) Broad Lingmu directly holds 66,176,160 Domestic Shares, Daxin Investment directly holds 18,600,000 Domestic Shares, Dazheng Investment directly holds 12,000,000 Domestic Shares, and Fuyang Shangjiu directly holds 5,136,000 Domestic Shares. Broad Lingmu is wholly owned by Chairman Zhang. Chairman Zhang is the general partner of Daxin Investment and holds 66% partnership interest in Daxin Investment. Chairman Zhang directly holds 0.3% interest and indirectly holds 70.9% interest (through Broad Lingmu) in Dazheng Investment. Chairman Zhang indirectly holds approximately 99.33% partnership interest (through Broad Lingmu) in Fuyang Shangjiu. Therefore, Chairman Zhang is deemed to be interested in the Domestic Shares held by Broad Lingmu, Daxin Investment, Dazheng Investment and Fuyang Shangjiu, and Broad Lingmu is deemed to be interested in the Domestic Shares held by Dazheng Investment and Fuyang Shangjiu, for the purpose of Part XV of the SFO.

(2) The general partners of Yuanzhi Fuhai are Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）). Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司) is ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司); and Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）) is ultimately controlled by Mr. Zhang Quanxun (張權勳) (our non-executive Director) and Mr. Cheng Houbo (程厚博). The limited partner of Yuanzhi Fuhai holding over one third of partnership interest in Yuanzhi Fuhai is Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業（有限合夥）), which is also ultimately controlled by Shenzhen SASAC through Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司). Each of Shenzhen Yuanzhi Fuhai Investment Management Limited* (深圳市遠致富海投資管理有限公司), Shenzhen Yuanzhi Investment Limited* (深圳市遠致投資有限公司), Shenzhen Jiahe Investment Management Partnership (Limited Partnership)* (深圳佳合投資管理企業（有限合夥）), Shenzhen Yuanzhi Fuhai Merger Acquisition Investment Fund Partnership (Limited Partnership)* (深圳遠致富海併購投資基金合夥企業（有限合夥）), Mr. Zhang Quanxun (張權勳) and Mr. Cheng Houbo (程厚博) is deemed to be interested in the Domestic Shares held by Yuanzhi Fuhai for the purpose of Part XV of the SFO.

(3) Daxin Investment is an employee stock ownership platform of the Company. For details, please refer to the section headed "History and Development—Equity incentives in our history."

(4) Zoomlion International Trading (H.K.) Co., Limited is a cornerstone investor of the Company, which agreed to subscribe for the H Shares in amount of RMB210.00 million at the Offer Price in the International Offering. Based on the Offer Price of HK$11.08 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by Zoomlion International Trading (H.K.) Co., Limited is 21,027,600 (rounded down to the nearest whole board lot of 300 H Shares). As Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司) (a listed company in Hong Kong and Shanghai) holds 100% interest in Zoomlion International Trading (H.K.) Co., Limited, Zoomlion Heavy Industry Science and Technology Co., Ltd.* (中聯重科股份有限公司) is deemed to be interested in the H Shares to be held by Zoomlion International Trading (H.K.) Co., Limited upon completion of its cornerstone investment for the purpose of Part XV of the SFO.

(5) Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) is a cornerstone investor of the Company, which agreed to subscribe for the H Shares in amount of RMB200.00 million at the Offer Price in the International Offering. Based on the Offer Price of HK$11.08 per Offer Share, being the mid-point of the range of the Offer Price set out in this prospectus, the total number of H Shares to be subscribed for by Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) is 20,026,500 (rounded down to the nearest whole board lot of 300 H Shares). As Changsha Industry Investment Co., Ltd.* (長沙市產業投資集團有限公司) (a state-owned enterprise) holds 100% interest in Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司), Changsha Industry Investment Co., Ltd.* (長沙市產業投資集團有限公司) is deemed to be interested in the H Shares to be held by Changsha Changtou Industry Investment Co., Ltd.* (長沙市長投產業投資有限公司) upon completion of its cornerstone investment for the purpose of Part XV of the SFO.

(6) The Shares referred to in this sub-section are all long positions for the purpose of Part XV of the SFO.

6. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors, Supervisors and any of the parties listed in the section headed "– D. Other Information – 7. Qualification of experts" of this Appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to the Company, or are proposed to be acquired or disposed of by or leased to the Company;

(b) none of the Directors and Supervisors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Company taken as a whole;

(c) without taking into account any H Shares which may be taken up under the Global Offering, none of the Directors and Supervisors is aware of any person (not being a Director or chief executive of the Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; and

(d) so far as is known to the Directors, none of the Directors, their respective close associates (as defined under the Hong Kong Listing Rules) and the Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Company.

D. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty that is likely to be imposed on the Company.

2. Litigation

Save as disclosed in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Group as of the Latest Practicable Date.

3. Joint Sponsors

Each of the Joint Sponsors satisfies the criteria of independence applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for a listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus. The Company has agreed to pay the Joint Sponsors a fee of RMB5,000,000 to act as sponsors in connection with the Listing.

4. Promoters

The promoters of the Company are Chairman Zhang, Broad Lingmu, Dazheng Investment, Daxin Investment, Dingxinrixin, Shanghai Xinji, Shanghai Hanlin, Shanghai Ruili, Gaoxin Huineng, Longteng Bafang, Hunan Xiangjinsheng, Yang Lixin (楊立新), Yuanzhi Fuhai, Shanghai Yongjun and Shenzhen Meitou. For details, please refer to the section headed "History and Development".

Save for the Global Offering and as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the Global Offering or the related transactions described in this prospectus.

5. Compliance Adviser

The Company has appointed Anglo Chinese Corporate Finance, Limited as the compliance adviser upon Listing in compliance with Rules 3A.19 and 19A.05(2) of the Hong Kong Listing Rules.

6. Preliminary Expenses

We have not incurred any material preliminary expenses.

7. Qualification of Experts

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) of regulated activities under the SFO
China Securities (International) Corporate Finance Company Limited	A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) of regulated activities under the SFO
KPMG	Certified public accountants
Jia Yuan Law Offices	PRC legal advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
AVISTA Valuation Advisory Limited	Property valuer

8. Consents of experts

Each of the experts as referred to in the paragraph headed "—D. Other Information—7. Qualification of Experts" in this appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. No material adverse change

Save as disclosed in this prospectus, the Directors confirm that there has been no material adverse change in the financial or trading position of the Company since April 30, 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

11. Miscellaneous

Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of the Company has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of the Company; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of the Company;

(b) there are no founder, management or deferred shares or any debentures in the Company;

(c) there has not been any interruption in the business of the Company which may have or has had a significant effect on the financial position of the Company in the 12 months preceding the date of this prospectus;

(d) the Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) no part of the equity or debt securities of the Company, if any, is currently listed on or dealt in on any stock exchange or trading system, and no such listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought;

(g) the Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made by the Company to enable the H shares to be admitted into CCASS for clearing and settlement.

12. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) copies of the material contracts referred to in "Appendix VIII—Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts"; and

(c) the written consents referred to in "Appendix VIII—Statutory and General Information—D. Other information—8. Consents of Experts."

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Baker & McKenzie at 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountant's Report from KPMG, the text of which is set out in Appendix I to this prospectus;

(c) the report from KPMG relating to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(d) the industry report issued by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the summary of which is set out in the section headed "Industry Overview";

(e) the property valuation report issued by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix III to this prospectus;

(f) the audited consolidated financial statements of our Group for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019;

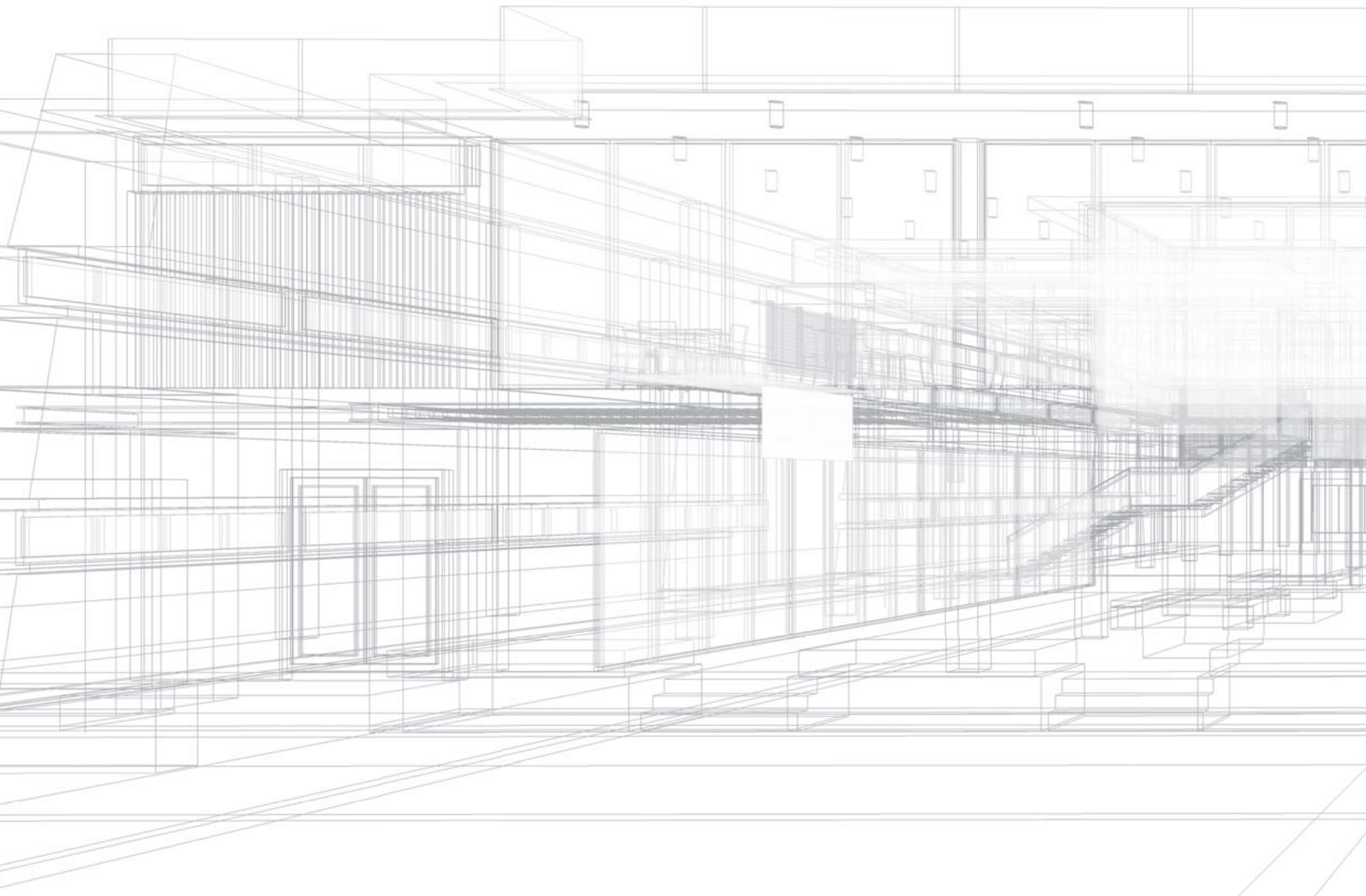
(g) the service contracts referred to in "Appendix VIII—Statutory and General Information—C. Further information about Directors, Supervisors, Chief Executive and Substantial Shareholders—1. Particulars of Directors' and Supervisors' Contracts";

(h) the material contracts referred to in "Appendix VIII—Statutory and General Information—B. Further Information about Our Business—1. Summary of Material Contracts";

(i) the written consents referred to in "Appendix VIII—Statutory and General Information—D. Other information—8. Consents of Experts";

(j) the legal opinions issued by the PRC Legal Advisers in respect of the general matters and property interests of our Group; and

(k) the Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations.



远大住工