TBGD

China Tianbao Group Development Company Limited
中國天保集團發展有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 01427

Global Offering

Joint Sponsors and Joint Global Coordinators

農銀國際 ABC INTERNATIONAL

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

農銀國際 ABC INTERNATIONAL

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

交銀國際 BOCOM International

海通國際 HAITONG

Joint Lead Managers

ZJSC 張金證券

CRIC 克而瑞證券有限公司

中泰國際

利弗莫尔证券 Livermore Holdings Limited

越秀証券 YUEXIU SECURITIES

瑞豐國際

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

TBGD

CHINA TIANBAO GROUP DEVELOPMENT COMPANY LIMITED

中國天保集團發展有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**200,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**20,000,000 Shares (subject to reallocation)**
Number of International Offer Shares	:	**180,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Offer Price (subject to a Downward Offer Price Adjustment)	:	**Not more than HK$3.10 and not less than HK$2.39 per Offer Share (payable in full in Hong Kong dollars on application plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and subject to refund) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment, the Offer Price will be HK$2.16 per Offer Share)**
Nominal value	:	**HK$0.01 per Share**
Stock code	:	**1427**

Joint Sponsors and Joint Global Coordinators

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交銀國際 BOCOM International

海通國際 HAITONG

Joint Lead Managers

ZJSC 張金證券 ZJKF SECURITIES INVESTMENT (HONG KONG) LIMITED

CRIC 克而瑞證券有限公司

中泰國際 ZHONGTAI INTERNATIONAL

利弗莫尔证券 Livermore Holdings Limited

越秀証券 YUEXIU SECURITIES

瑞豐國際 HTF SECURITIES LIMITED

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 its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to this prospectus, 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 of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Monday, November 4, 2019, or such later time as may be agreed between the parties, but in any event, no later than Tuesday, November 5, 2019. If, for any reason, the Joint Global Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Tuesday, November 5, 2019, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK$3.10 per Offer Share and is expected to be not less than HK$2.39 per Offer Share (subject to a Downward Offer Price Adjustment). The Joint Global Coordinators, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (being HK$2.39 per Offer Share to HK$3.10 per Offer Share) at any time on or prior to the morning of the last date 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) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.chinatbjt.com** as soon as practicable but 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. For further information, see the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, and in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Offer Shares, the Joint Sponsors and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in their absolute discretion, to terminate the obligation of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement — Grounds for Termination". 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 or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States. The Offer Shares are being offered and sold only outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

October 30, 2019

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from	9:00 a.m. on Wednesday, October 30, 2019
Latest time for completing electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Monday, November 4, 2019
Application lists open[3]	11:45 a.m. on Monday, November 4, 2019
Latest time for lodging **WHITE** and **YELLOW** Application Forms	12:00 noon on Monday, November 4, 2019
Latest time for completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, November 4, 2019
Latest time for giving **electronic application instructions** to HKSCC[4]	12:00 noon on Monday, November 4, 2019
Application lists close[3]	12:00 noon on Monday, November 4, 2019
Expected Price Determination Date[5]	Monday, November 4, 2019
Where applicable, announcement of the Offer Price being set below the bottom end of the indicative Offer Price range after making a Downward Offer Price Adjustment (see the section headed "Structure of the Global Offering — Pricing of the Global Offering") in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.chinatbjt.com** on or before	Wednesday, November 6, 2019

Announcement of:

(1) the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Friday, November 8, 2019
(2) 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 as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus	Friday, November 8, 2019
(3) a full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.chinatbjt.com** from	Friday, November 8, 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 . . . . Friday, November 8, 2019

Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6] . . . . Friday, November 8, 2019

Dispatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before[7] . . . . Friday, November 8, 2019

Dealings in the Shares on the Hong Kong Stock Exchange expected to commence at . . . . 9:00 a.m. on Monday, November 11, 2019

(1) All times refer to Hong Kong local time, except as otherwise stated.

(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 lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 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 of lodging applications, when the application lists close.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, November 4, 2019, the application lists will not open on that day. See "How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

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

(5) The Price Determination Date is expected to be on or about Monday, November 4, 2019 and, in any event, not later than Tuesday, November 5, 2019. If, for any reason, the Offer Price is not agreed by Tuesday, November 5, 2019 between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

(6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Friday, November 8, 2019 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Monday, November 11, 2019. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.

(7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessfully applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The above expected timetable is a summary only. You should refer to the sections headed "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this Prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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This prospectus is issued by our Company 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 subscribe for or 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 subscribe for or buy any security 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, officers, employees, agents or representatives of any of them, or any other person or party involved in the Global Offering. Information contained on our website, located at www.chinatbjt.com, does not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As it 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 in conjunction with, the full text of this prospectus. You should read the entire prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in ''Risk Factors'' in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a property developer and construction company based in Zhuozhou, a city in Hebei Province, China. We engage in a wide range of property development activities, such as planning and design, construction, and property sales, investment and operations.

We trace our history back to March 1998 when we established our construction contracting business in Zhuozhou. In 2001, we expanded our business to property development and strategically focused such business in major satellite cities of Beijing, such as Zhuozhou and Zhangjiakou. We are well-positioned to benefit from the national strategies of the coordinated development of the Beijing-Tianjin-Hebei Region and the development of the Xiong'an New Area. With the opportunities from the upcoming 2022 Beijing Winter Olympics, we expect a high potential of property development in Zhuozhou, Zhangjiakou and other cities of the Beijing-Tianjin-Hebei Region.

We principally engage in the following businesses:

- **Property development business.** As a property developer, we focus primarily on the development and sales of residential properties, and leasing and operation of an investment property.

- **Construction contracting business.** We provide construction contracting services mainly as a general contractor for building construction projects, infrastructure construction projects, and industrial and commercial construction projects.

We have achieved synergies between our property development and construction contracting businesses which have enabled us to develop a diverse project portfolio and improve efficiency. In addition, we have adopted ''construction first and property development to follow'' as our expansion strategy, meaning to first establish cooperation on construction projects with local government entities and property developers by leveraging our strong construction capabilities, which in turn facilitates improvement of our property development business in that region.

We have a broad range of qualifications in the construction contracting industry, covering most construction categories. As of April 30, 2019, we possessed over 10 qualifications, allowing us to undertake a variety of construction projects. In particular, we obtained our Premium Grade Certificate in 2017, being the highest qualification that can be awarded to a building construction general contractor. We won numerous awards for achieving high standards in construction quality, safety and innovation, such as Lu Ban Award for Baoxin International Building in 2017. Our projects, namely, the Zhangbei Nanshan Temple, the Zhangbei Lansheng Tower and the Simian Paifang, have been awarded the National High-Quality Project Award by China Association of Construction Enterprise Management. See ''Business — Construction Contracting Business — Sales and Marketing'' for the details of success rates of our bidding for construction contracting business during the Track Record Period.

As of August 31, 2019, we had a diverse portfolio of 20 property projects consisting of 18 residential properties, one investment property and a hotel, which are all owned and developed by us. Seven projects are located in Zhuozhou and 13 projects are located in Zhangjiakou. As of August 31, 2019, we had land reserves with a total GFA of 1,989,288.9 sq.m., including (i) completed properties with a total unsold saleable GFA of 41,671.1 sq.m. and a rentable GFA held for property investment of 44,336.1 sq.m., accounting for 4.3% of our total land reserves; (ii) properties under development with a total planned GFA of 961,507.2 sq.m., accounting for 48.4% of our total land reserves; and (iii) properties held for future development with a total planned GFA of 941,774.5 sq.m., accounting for 47.4% of our total land reserves. Our acquired land reserves are mainly located in cities with high development potential such as Zhuozhou and Zhangjiakou.

Our total revenue decreased by 17.6% from RMB660.5 million in the four months ended April 30, 2018 to RMB544.4 million in the same period in 2019. The decrease was due to decreased revenue of our property development business as a result of the fact that we only completed and started delivery of Tianbao Lingyun City (天保淩雲城) in the four months ended April 30, 2019. Our total revenue increased from RMB800.2 million in 2016 to RMB1,601.7 million in 2018, representing a CAGR of 41.5% from 2016 to 2018. Our total revenue increased by 33.2% from RMB1,202.3 million in 2017 to RMB1,601.7 million in 2018. The increase was due to increased revenue of both of our two business segments, primarily contributed by our construction contracting business as we undertook increased volume of construction projects and those with increased scale in 2018. Our total revenue increased by 50.2% from RMB800.2 million in 2016 to RMB1,202.3 million in 2017, primarily due to increased revenue of both of our two business segments as we completed and delivered more property projects and undertook increased volume of construction projects and those with increased scale in 2017.

Our gross profit decreased from RMB136.1 million in the four months ended April 30, 2018 to RMB123.7 million in the same period in 2019. Our gross profit margin increased from 20.6% in the four months ended April 30, 2018 to 22.7% in the same period in 2019, primarily due to the increase in gross profit margin of our property development business in the four months ended April 2019 as a result of the higher recognized ASP of Tianbao Lingyun City (天保淩雲城) than the recognized ASP of the GFA delivered in the same period in 2018. Our gross profit slightly decreased by 1.9% from RMB193.6 million in 2017 to RMB189.9 million in 2018. Our gross profit margin decreased from 16.1% in 2017 to 11.9% in 2018, primarily due to a decrease in the gross profit margin of our property development business as a result of the lower recognized ASP of the GFA delivered in 2018 than the recognized ASP of the GFA delivered in 2017. Our gross profit increased by 208.3% from RMB62.8 million in 2016 to RMB193.6 million in 2017, primarily attributable to the increase in the gross profit from both of our property development business and construction contracting business. Our gross profit margin increased from 7.9% in 2016 to 16.1% in 2017, primarily attributable to (i) the increase in the GFA delivered with higher recognized ASP than the recognized ASP of the GFA delivered in 2016; and (ii) increased volume of construction projects we undertook with higher gross profit margin in 2017.

Please see "Financial Information — Period to Period Comparison of Results of Operations" for details.

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

	Year ended December 31,									Four months ended April 30,					
	2016			2017			2018			2018			2019		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB'000	*RMB'000*	*(%)*	*RMB'000*	*RMB'000*	*(%)*	*RMB'000*	*RMB'000*	*(%)*	*RMB'000*	*RMB'000* *(unaudited)*	*(%)*	*RMB'000*	*RMB'000*	*(%)*
Segment															
Property development business	77,458	33,359	43.1	274,103	139,283	50.8	400,259	121,202	30.3	389,046	121,716	31.3	274,487	109,228	39.8
Construction contracting business	722,734	29,482	4.1	928,175	54,304	5.9	1,201,480	68,722	5.7	271,488	14,347	5.3	269,939	14,476	5.4
Total/overall	**800,192**	**62,841**	**7.9**	**1,202,278**	**193,587**	**16.1**	**1,601,739**	**189,924**	**11.9**	**660,534**	**136,063**	**20.6**	**544,426**	**123,704**	**22.7**

Although we generated a substantial portion of our revenue from our construction contracting business in 2016, 2017 and 2018, we also consider ourselves as a property developer because we generated a majority of our profit from property development business during the same period, and we aim to become a comprehensive property developer with the support of our construction contracting business.

Sales of Properties

The following table sets forth a breakdown of our GFA delivered and the recognized ASP per sq.m. by project for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	GFA delivered	Recognized ASP	GFA delivered	Recognized ASP	GFA delivered	Recognized ASP	GFA Delivered	Recognized ASP	GFA Delivered	Recognized ASP
	(sq.m.)	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB/ sq.m.)*
Zhuozhou										
Tianma Jingyuan (天馬景苑)	4,535	6,272	1,196	7,800	52	2,731	—	—	—	—
Laojixiao Teachers Apartment (勞技校教師公寓)	3,026	5,801	2,976	6,351	3,194	5,156	3,194	5,156	—	—
Tianhe Penghua (田合鵬華)	671	6,358	29,834	7,340	91	5,429	91	5,429	—	—
Tianbao Lingyun City (天保淩雲城)	—	—	—	—	—	—	—	—	36,441	7,423
Zhangjiakou										
Tianbao New City Phase I (天保新城一期)	7,500	3,406	4,718	4,604	1,136	4,521	704	4,794	—	—
Tianbao New City Phase II (天保新城二期)	—	—	—	—	108,706	3,399	107,044	3,432	—	—
Total	**15,732**	**4,819**	**38,724**	**6,945**	**113,179**	**3,461**	**111,033**	**3,492**	**36,441**	**7,423**

Land Reserves

The following table sets out the GFA breakdown of our land reserves by geographical location as of August 31, 2019:

	Completed		Under development	Future development	Total land reserves	Percentage of total land bank by geographical location
	Unsold saleable GFA	Rentable GFA held for property investment	Planned GFA under development	Planned GFA	Total GFA	
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(%)*
Zhuozhou	24,299.4	44,336.1	153,838.8	—	222,474.3	11.2
Zhangjiakou	17,371.7	—	807,668.4	941,774.5	1,766,814.6	88.8
Total	**41,671.1**	**44,336.1**	**961,507.2**	**941,774.5**	**1,989,288.9**	**100.0**

See "Business — Our Business Operations — Property Development Business — Our Project Portfolio" for a summary of our property development projects (including completed, under development and held for future development) as of August 31, 2019.

Backlog

In our construction contracting business, backlog represents our estimate of the contract value of work that remains to be completed as of a certain date. The contract value represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles.

The following table sets forth the movement of backlog of our construction projects during the periods indicated:

	Year ended December 31,			Four months ended April 30,	Six months ended June 30,
	2016	2017	2018	2019	2019
			(in millions)		
Opening value of backlog	497.8	1,085.2	1,031.1	1,712.1	1,712.1
Contract value of new projects[1]	1,384.5	947.1	1,969.8	429.0	554.3
Contract value of revenue recognized[2]	(797.1)	(1,001.2)	(1,288.8)	(294.0)	(354.4)
Closing value of backlog[3]	1,085.2	1,031.1	1,712.1	1,847.1	1,912.0

Notes:

(1) Contract value of new contracts means the total contract value of new construction contracting contracts which were awarded to us during the relevant year or period indicated.

(2) Contract value of revenue recognized means the revenue that has been recognized during the relevant year or period indicated with VAT.

(3) Closing value of backlog means the total contract value for the remaining work of construction projects before the percentage of completion of such projects reach 100% as of the end of the relevant year or period indicated.

The following table sets forth a breakdown of the number of construction contracts by contract value with respect to our construction contracting business for the periods indicated:

	Year ended December 31,									Four months ended April 30,		
	2016			2017			2018			2019		
Contract Value Range	Number of contracts	Total contract value *(RMB in millions)*	% of total	Number of contracts	Total contract value *(RMB in millions)*	% of total	Number of contracts	Total contract value *(RMB in millions)*	% of total	Number of contracts	Total contract value *(RMB in millions)*	% of total
Within RMB50 million	115	24.4	1.8	78	16.1	1.7	38	8.5	0.4	44	204.2	47.6
RMB50 million to RMB100 million *(excluding RMB100 million)*	26	20.1	1.4	15	10.7	1.1	23	17.0	0.9	—	—	—
RMB100 million to RMB300 million	34	58.4	4.2	40	71.4	7.6	38	66.9	3.4	1	224.8	52.4
Over RMB300 million	42	1,281.6	92.6	43	848.9	89.6	39	1,877.4	95.3	—	—	—
Total	**217**	**1,384.5**	**100.0**	**176**	**947.1**	**100.0**	**138**	**1,969.8**	**100.0**	**45**	**429.0**	**100.0**

We expect that the amount of revenue to be recognized for the year ending December 31, 2019 and thereafter for our ongoing construction contracts as of April 30, 2019 would be RMB658.7 million and RMB1,039.0 million, respectively. The amounts of our revenue to be recognized for the year ending December 31, 2019 and thereafter is our estimation based on the projects for which our Group had signed the relevant construction contracts and may not be considered and/or is not a forecast in relation to our Group's future performance. In addition, the backlog revenue disclosed herein only reflects the situation as of April 30, 2019 and the highest caution shall be exercised in making comparison as to the backlog revenue and any of our historical financial results (whether contained in this prospectus or in the Accountants' Report set out in Appendix I to this prospectus), given that the backlog revenue (a) is not a historical fact; (b) was determined based on the projects for which our Group had signed construction contracts as of April 30, 2019; (c) was arrived at after taking into account of various bases and assumptions (among others, our Director's estimation of project progress based on the plan of construction projects issued by the relevant project owners) which are inherently susceptible to any unforeseeable material changes or development in the future; and (d) is subject to the materialization of any of the risks set out in "Risk Factors" of this prospectus.

Customers and Suppliers

Customers of our property development business primarily comprise purchasers of our residential properties, and customers of our construction contracting business primarily comprise property developers and government entities. In 2016, 2017, 2018 and the four months ended April 30, 2019, revenue attributable to our five largest customer amounted to RMB238.4 million, RMB316.8 million, RMB530.1 million and RMB139.8 million, respectively, representing 29.8%, 26.4%, 33.1% and 25.8% of our total revenue in the same periods, respectively. Our principal suppliers are providers of raw materials and labor. In the same period, purchases from our five largest suppliers amounted to RMB159.6 million, RMB280.2 million, RMB297.5 million and RMB101.9 million, respectively, representing 20.9%, 23.7%, 19.1% and 24.5% of our total purchases in the same periods, respectively.

COMPETITIVE STRENGTHS

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

- We are well-positioned to benefit from the national strategies of the coordinated development of the Beijing-Tianjin-Hebei Region and the development of the Xiong'an New Area, and the opportunities from the 2022 Beijing Winter Olympics;
- We have achieved synergies between our property development business and construction contracting business which have enabled us to develop a diverse project portfolio and improve efficiency;
- Rooted in the Capital Economic Circle, we gained rich experience in land acquisitions by acquiring high-quality land reserves in principal cities of the region;
- With the highest level of qualification in general building construction, a broad range of qualifications, strict quality control measures and active technological innovation, we continued to win mandates for high-quality projects; and
- Our optimized personnel structure, experienced and stable management team and unique corporate culture allow us to provide long-term quality services to our clients.

STRATEGIES

To achieve our goal to become a well-known comprehensive property developer and construction company in China, we intend to pursue the following strategies:

- Seize the opportunities presented by the development of the Beijing-Tianjin-Hebei Region and the Xiong'an New Area, and the upcoming 2022 Beijing Winter Olympics, to further expedite our expansion and growth;
- Increase our land reserves and expand our operations in the Beijing-Tianjin-Hebei Region and Sichuan Province where we believe to have profitable opportunities and focus on property development featuring cultural-tourism, healthcare and commercial complexes;

- Strengthen engineering and technological innovation and IT capabilities to further improve our efficiency and competitiveness and to develop ourselves as an energy-saving and environmental-friendly construction company; and

- Enhance our corporate governance and human resources management by further strengthening our corporate culture and recruiting and retaining talented professionals with strong industry backgrounds.

SELECTED HISTORICAL FINANCIAL DATA

The following tables present our summary consolidated financial information as of the dates and for the periods indicated. We have derived this summary from our financial information set forth in the Accountants' Report in Appendix I to this prospectus. You should read this summary in conjunction with our consolidated financial information included in the Accountants' Report in Appendix I to this prospectus, including the accompanying notes, and the information set forth in "Financial Information" of this prospectus.

Summary of Consolidated Statements of Profit or Loss

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
			(RMB'000)		
				(unaudited)	
Revenue	800,192	1,202,278	1,601,739	660,534	544,426
Cost of sales	(737,351)	(1,008,691)	(1,411,815)	(524,471)	(420,722)
Gross profit	62,841	193,587	189,924	136,063	123,704
Fair value gains on investment properties	28,743	2,600	19,400	7,000	3,700
Profit before tax from continuing operations	66,281	130,880	181,670	123,321	93,705
Profit for the year/period from continuing operations	37,967	60,231	109,634	75,323	53,459
Loss for the year/period from discontinued operations[1]	(787)	(893)	(1,427)	(775)	(62)
Profit for the year/period	37,180	59,338	108,207	74,548	53,397

Our investment properties, as of December 31, 2016, 2017, 2018 and April 30, 2019 were valued by JLL, an independent property valuer. Based on such valuation, in 2016, 2017, 2018 and the four months ended April 30, 2019, our fair value gains on investment properties were RMB28.7 million, RMB2.6 million, RMB19.4 million and RMB3.7 million, respectively. See "Risk Factors — The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability."

Summary of Consolidated Statements of Financial Position

	As of December 31,			As of April 30,
	2016	2017	2018	2019
		(RMB'000)		
Non-current assets	398,857	426,041	487,117	504,353
Current assets	2,663,763	4,204,706	5,871,746	4,577,132
Total assets	3,062,620	4,630,747	6,358,863	5,081,485
Current liabilities	2,058,337	3,430,262	4,214,284	4,570,890
Net current assets	605,426	774,444	1,657,462	6,242
Non-current liabilities	99,313	236,177	465,658	117,685
Total equity	904,970	964,308	1,678,921	392,910

(1) As part of our Reorganization in preparation for the Listing, in 2018, we decided to dispose of our interests in subsidiaries engaged in non-core businesses, including design and property management services, to delineate from our principal business.

Our net assets significantly decreased from approximately RMB1,679 million as of December 31, 2018 to approximately RMB392.9 million as of April 30, 2019 mainly because of our deemed distribution of approximately RMB1,338.5 million used for the settlement of the consideration payable by our Company for its acquisition of Tianbao Corporate Management as part of the Reorganization.

Summary of Consolidated Statements of Cash Flows

	Year ended December 31,			Four months ended April 30,	
	2016	**2017**	**2018**	**2018**	**2019**
			(RMB'000)		
				(unaudited)	
Operating cash flows before movements in working capital	38,655	158,609	145,732	123,550	107,173
Net cash generated from/(used in) operating activities	165,020	(194,751)	(665,669)	(363,135)	(86,164)
Net cash (used in)/generated from investing activities	(155,232)	95,342	(675,355)	(367,572)	1,497,525
Net cash (used in)/generated from financing activities	(8,391)	125,934	1,373,338	724,631	(1,433,023)
Net increase/(decrease) in cash and cash equivalents	1,397	26,525	32,314	(6,076)	(21,662)
Cash and cash equivalents at the beginning of year	41,041	42,438	68,963	68,963	101,277
Cash and cash equivalents at the end of year	42,438	68,963	101,277	62,887	79,615

In 2017 and 2018, we had net operating cash outflows of RMB194.8 million and RMB665.7 million, respectively, primarily due to increases in property under development as we continued to grow our property development business in 2017 and 2018. In the four months ended April 30, 2019, we had net operating cash outflows of RMB86.2 million, primarily due to increases in the contract assets and completed properties held for sale. We intend to improve our cash flow by enhancing the payment collection from our customers associated with pre-sales and sales of properties and construction contracting business. We will also closely monitor the cash flow of both our property development business and construction contracting business and their effect on our liquidity position. We plan to satisfy our working capital requirement, including repayment obligations arising from our bank loans, principally through proceeds from pre-sales and sales of properties, new bank borrowings or re-financings and other borrowings and the net proceeds from the Global Offering. See "Financial Information — Liquidity and Capital Resources — Working Capital" in this prospectus for further details.

Key Financial Ratios

	As of or for the year ended December 31,			As of or for the four months ended April 30,
	2016	**2017**	**2018**	**2019**
Current ratio (times)(1)	1.29	1.23	1.39	1.00
Gearing ratio (%)(2)	9.9	22.8	54.4	207.2
Net gearing ratio (%)(3)	0.6	1.8	41.4	149.5
Return on equity (%)(4)	4.2	6.3	8.2	N/A
Return on total assets (%)(5)	1.3	1.5	2.0	N/A
Gross profit margin (%)(6)	7.9	16.1	11.9	22.7
Net profit margin (%)(7)	4.6	4.9	6.8	9.8

(1) Current ratios were calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates.
(2) Gearing ratios were calculated by total interest-bearing bank borrowings divided by total equity as of the end of the respective periods and multiplied by 100%.
(3) Net gearing ratios were calculated as total interest-bearing bank and other borrowings less cash and bank balances and pledged deposits divided by total equity as of the end of the respective periods and multiplied by 100%.
(4) Return on equity was calculated based on the profit for the respective periods divided by the total equity as of the respective periods (sum of opening and closing balances of the total equity of the respective periods and then divided by two) and multiplied by 100%.
(5) Return on total assets was calculated based on the net profit for the respective periods divided by the average total assets of the respective periods (sum of opening and closing balances of the total assets of the respective periods and then divided by two) and multiplied by 100%.
(6) Gross profit margin was calculated on gross profit divided by revenue from the continuing operations for the respective period.
(7) Net profit margin was calculated on profit for the period divided by revenue from the continuing operations for the respective period.

Our net gearing ratio increased from 0.6% as of December 31, 2016 to 1.8% as of December 31, 2017, and then further increased to 41.4% as of December 31, 2018, mainly because we increased interest-bearing bank borrowings over the same periods. Our net gearing ratio further increased from 41.4% as of December 31, 2018 to 149.5% as of April 30, 2019, primarily due to a significant decrease of our total equity from RMB1,678.9 million as of December 31, 2018 to RMB392.9 million as of April 30, 2019 as a result of our deemed distribution of approximately RMB1,338.5 million used for the settlement of the consideration payable by our Company for its acquisition of Tianbao Corporate Management as part of the Reorganization.

Prior to the Reorganization in preparation for the Listing as set out in "Our History, Reorganization and Corporate Structure — Reorganization", the subsidiaries now comprising our Group were held by Mr. Li, our Controlling Shareholder and the paid-in-capital in the subsidiaries was presented as merger reserve within reserves of our Group's combined financial statements. Upon the Reorganisation, our Company, through its subsidiaries, Zhuozhou Tianbao Industrial and Fine Credit Investment, acquired 100% equity interest in Tianbao Corporate Management from Mr. Li at a cash consideration of RMB1,338.5 million. The consideration was regarded as a deemed distribution of our Company to its Controlling Shareholder.

RISK FACTORS

There are certain risks relating to (i) our industries and business; (ii) conducting business in China; and (iii) the Global Offering. The following are some of the major risks that we face:

- Our businesses and future growth are subject to macroeconomic conditions in China, particularly Hebei Province, which are beyond our control.

- Our operations are subject to extensive government policies and regulations and we are particularly susceptible to adverse changes in policies relating to the property development industry and PRC construction industry in regions in which we operate.

- Our business and prospects are heavily dependent on the performance of the PRC property markets, particularly in the various cities we operate and intend to operate, and therefore any potential decline in property sales or prices or demand for properties in China generally, or in the cities where our projects are located, could have a material adverse effect on our business, financial condition and results of operations.

- We face intense competition in our industries, and failure to compete effectively may cause us to lose market share.

- We may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices in the future, which may affect our business, financial condition, results of operations and prospects.

- Our results of operations largely depend on a number of factors including the schedule of our property development and the timing of property sales and may therefore vary significantly from year to year.

- Failure to receive progress or milestone payments or retention fees on time or in full may materially and adversely affect our liquidity position.

SHAREHOLDERS' INFORMATION

Our Controlling Shareholders

Immediately after completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), Mr. Li, through Jixiang International Industrial, will hold 74.25% of our Company's enlarged issued share capital. Mr. Li and Jixiang International Industrial will remain as our Controlling Shareholders upon Listing.

Pre-IPO Investment

On March 20, 2019, Mr. Li entered into the Pre-IPO Investment Agreement with Ms. Wu Mengxia (吳夢夏) (being the Pre-IPO Investor), pursuant to which Ms. Wu agreed to acquire 1% equity interests in Tianbao Corporate Management from Mr. Li at a consideration of RMB13,520,000, which was determined with reference to the valuation of Tianbao Corporate Management prepared by an independent valuer and the growth potential of our business as assessed by the parties and after arm's length negotiations. Ms. Wu is currently the chief investment officer of a PRC integrated circuit design company, where she is primarily responsible for project investment and financial products design. Ms. Wu has experience in the capital market in Hong Kong. Ms. Wu is an Independent Third Party. Immediately after completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), Ms. Wu, through Golden Foal Investments, will hold 0.75% of our Company's enlarged issued share capital. See "Our History, Reorganization and Corporate Structure — Pre-IPO Investment."

RECENT DEVELOPMENTS

Our revenue for the eight months ended August 31, 2019 decreased compared to the same period in 2018, which was primarily attributable to the decrease in the revenue from our property development business for the eight months ended August 31, 2019 compared to the same period in 2018. Such decrease was primarily attributable to the development and delivery schedule of our property development projects. We generally recognize revenue from the sale of our properties upon delivery of the properties to the customers. In 2018, our delivery of completed properties including Tianbao New City Phase II (天保新城二期) mainly took place in the first half of the year, while in 2019, our delivery of completed properties including Tianbao New City Phase III (天保新城三期) is expected to mainly take place in the fourth quarter.

After due and careful consideration, our Directors confirm that, save as disclosed above, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since April 30, 2019, and there is no event since April 30, 2019 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

PROPERTY VALUATION

The following table sets forth a summary of JLL's valuation methodology and basis in valuing our properties:

Valuation methodology and basis	Property type
• Comparison approach: this approach assumes sales with the benefit of vacant possession in their existing states by making reference to comparable sales transactions as available in the market. 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.	• Completed properties held for sale • Properties held for future development • Properties held for owner-occupation
• Income approach: this approach considers the net rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.	• Properties held for investment • Properties held for owner-occupation
• Cost approach: this approach assumes the relevant properties will be developed and completed in accordance with the latest development proposals provided to us. This approach uses comparable sales evidence as available in the relevant market and takes into account the accrued construction cost and professional fees relevant to the stage of construction as of the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. JLL have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as of the valuation date, and JLL did not find any material inconsistency from those of other similar developments.	• Properties held under development
• Depreciated replacement cost approach: due to the nature of the buildings and structures and the location where they are situated, there are unlikely to be relevant market comparable sales readily available, therefore the relevant property interests have been valued by the cost approach with reference to their depreciated replacement cost based on estimate of the market value for existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and relevant form of obsolescence and optimization.	• Properties held for owner-occupation

See "Property Valuation Report" in Appendix III to this prospectus.

GLOBAL OFFERING STATISTICS

The numbers in the following table are based on the assumptions that (i) the Global Offering has been completed and 200,000,000 Offer Shares are issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 800,000,000 Shares are issued following the completion of the Capitalization Issue and the Global Offering.

	Based on an Offer Price of HK$2.16 per Offer Share, after a Downward Offer Price Adjustment of 10%	Based on an Offer Price of HK$2.39 per Offer Share	Based on an Offer Price of HK$3.10 per Offer Share
Market capitalization of Share after completion of the Global Offering	HK$1,728 million	HK$1,912 million	HK$2,480 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share(1)	HK$1.00	HK$1.05	HK$1.22

(1) Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share was calculated after adjustments as specified in "Appendix II — Unaudited Pro Forma Financial Information."

USE OF PROCEEDS

Assuming an Offer Price of HK$2.75 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus, and assuming the Over-allotment Option is not exercised, we currently intend to use such net proceeds from the Global Offering as follows:

- approximately 50%, or HK$228.1 million (equivalent to approximately RMB205.6 million), is expected to be used to increase our land reserves by seeking and acquiring land parcels in cities in Beijing-Tianjin-Hebei Region to further expand our property development business into cultural-tourism properties and healthcare properties. Please see "Business — Our Business Strategies — Increase our land reserves and expand our operations in the Beijing-Tianjin-Hebei Region and Sichuan Province where we believe to have profitable opportunities and focus on property development featuring cultural-tourism, healthcare and commercial complexes" for details;

- approximately 20%, or HK$91.2 million (equivalent to approximately RMB82.2 million), is expected to be used to fund the construction of our property projects under development including Tianbao Hushan Yard (天保湖山大院) and Zhangbei Zhongdu Garden (中都莊園). Please see "Busines — Property Development Business — Our Project Portfolio — Portfolio of Our Property Development Projects" for details;

- approximately 20%, or HK$91.2 million (equivalent to approximately RMB82.2 million), is expected to be used to fund construction projects in our backlog as of the Latest Practicable Date, which mainly include building construction projects and infrastructure construction projects in Hebei Province; and

- approximately 10%, or HK$45.6 million (equivalent to approximately RMB41.1 million), is expected to be used for working capital and general corporate purposes.

See "Future Plans and Use of Proceeds."

DIVIDEND AND DISTRIBUTABLE RESERVES

We did not declare any dividends during the Track Record Period. We have no fixed dividend policy and, subject to compliance with the relevant laws of the Cayman Islands and the Articles, the Board has discretion in determining whether to recommend a declaration of any dividend for any period, and the amount of dividend to be paid. In determining any dividend payment, the Board will evaluate our Company's earnings, cash flow, financial condition, capital requirements, prevailing economic conditions, and any other factors that our Directors deem relevant. There can be, however, no assurance that dividends will be paid in any amount in the future, or at all. As of the Latest Practicable Date, our Company had no distributable reserve available for distribution to our Shareholders.

INCIDENT RELATING TO OUR FORMER EMPLOYEE

In around 2010 to 2013, a former employee of Tianbao Construction Group abused his authority and misconducted a construction contracting project by, including but not limited to, directing the construction fees paid by the project owner to his personal bank accounts and/or those of his spouse or the company controlled by him as well as sub-contracting certain construction work to sub-contractors without due authorization. To the best knowledge of our Directors, the project owner paid RMB349.0 million to such former employee for the construction contracting project. According to the estimated budget of the construction contracting project in 2010, in the absence of the incident relating to the misconduct of such former employee, Tianbao Construction Group estimated that it could recognize profit of RMB10.5 million from undertaking such construction contracting project. Tianbao Construction Group also confirmed that it recorded a net loss of RMB46.3 million by undertaking the final stage of such construction contracting project. In order to seek remedy for the losses, Tianbao Construction Group brought a claim against the former employee and then, in January 2019, Tianbao Construction Group brought a claim against the project owner seeking RMB80.0 million in payment together with related expenses arising from such construction contracting project. Our Directors confirmed that the net loss of RMB46.3 million was recorded before 2016 and the incident of the misconduct of such former employee had no adverse financial impact on our results of operations and financial conditions during the Track Record Period. See "Business — Legal Proceedings and Compliance — Incident relating to our Former Employee" for details.

NON-COMPLIANCE INCIDENTS

During the Track Record Period, we experienced certain non-compliance incidents, such as commencement of construction work without construction work permits, commencement of pre-sales without pre-sales permits and failure to make adequate social security insurance and housing provident fund contribution. See "Business — Legal Proceedings and Compliance — Non-compliance Incidents."

COMPETITIVE LANDSCAPE

The property development industry and construction contracting industry in China is highly fragmented and competitive. We compete primarily with regional property developers and construction companies in Hebei Province. We compete with those competitors mainly over experience, brand recognition, project quality and safety, and pricing. See "Business — Competition."

LISTING EXPENSES

The estimated total listing expenses in relation to the Global Offering are estimated to be approximately RMB84.7 million (based on the midpoint of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised). These listing expenses mainly comprise sponsor fees, underwriting commissions, and professional fees paid/payable to legal advisors, our reporting accountants and professional parties for their services rendered in relation to the Listing and the Global Offering, of which approximately RMB50.5 million will be deducted from our equity. Approximately RMB3.9 million and RMB3.1 million have been charged to our consolidated statements of profit or loss in 2018 and the four months ended April 30, 2019 and the remaining balance of approximately RMB27.2 million will be charged to our consolidated statements of profit or loss for 2019. Our Directors expect such expenses would not materially adversely impact our results of operations for the year ending December 31, 2019.

"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
"Articles" or "Articles of Association"	the amended and restated articles of association of our Company, conditionally adopted on October 21, 2019 which will become effective on the Listing Date, a summary of which is contained in Appendix IV to this prospectus, and as amended from time to time
"ASP"	average selling price
"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Baoxin Industrial"	Baoxin Industrial Company Limited (保鑫實業有限公司), a limited liability company established in China on November 14, 2018 and owned as to 80% by Ms. Zhou, the spouse of Mr. Li and 20% by Mr. Li Yaruixin (李亞睿鑫), the son of Mr. Li
"Beijing-Tianjin-Hebei Region"	an economic region in China comprising Beijing, Tianjin and Hebei Province
"Board" or "Board of Directors"	the board of directors of our Company
"Business day" or "business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate
"Capitalization Issue"	the allotment and issue of 599,999,000 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed "A. Further Information about our Company and our Subsidiaries — Written resolutions of our Shareholders passed on October 21, 2019" in Appendix V to this prospectus
"Capital Economic Circle"	an economic region in China comprising Beijing, nine cities in Hebei Province and three districts in Tianjin. The nine cities in Hebei Province are Zhangjiakou, Chengde, Baoding, Langfang, Tangshan, Qinhuangdao, Hengshui, Cangzhou and Shijiazhuang. The three districts in Tianjin are Baodi, Wuqing and Jizhou. The concept was first proposed in Draft of 12th Five-Year Plan (《"十二五"規劃綱要草案》), which was passed on the Fourth Session of the Eleventh National People's Congress (十一屆全國人大四次會議)

"Cayman Companies Law" or "Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會), currently combined into the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
"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, joint individuals or a corporation
"CCASS Participant"	A CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"Chengdu Tianbao Property Development"	Chengdu Tianbao Property Development Company Limited (成都天保房地產開發有限公司), a limited liability company established in China on April 10, 2018 and an indirect wholly owned subsidiary of our Company
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"China Tianbao International"	China Tianbao International Holdings Company Limited (中國天保國際控股有限公司), a limited company incorporated under the laws of Hong Kong on December 6, 2018
"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" or "our Company" or "we" or "us"	China Tianbao Group Development Company Limited (中國天保集團發展有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on November 16, 2018

"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means Mr. Li and Jixiang International Industrial which is wholly owned by Mr. Li
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	a deed of indemnity dated October 21, 2019 and given by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of our subsidiaries), details of which are set out in the section headed "Statutory and General Information — D. Other Information — 3. Tax and Other Information" in Appendix V to this prospectus
"Deed of Non-competition"	a deed of non-competition dated October 21, 2019 and given by our Controlling Shareholders in favor of our Company, details of which are set out in the section headed "Relationship with Our Controlling Shareholders — Non-Competition Undertakings"
"Director(s)"	director(s) of our Company
"Downward Offer Price Adjustment"	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
"EIT"	the PRC enterprise income tax
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), issued on March 16, 2007 and last amended on December 29, 2018
"Excel Thrive Developments"	Excel Thrive Developments Limited (盛興發展有限公司), a company incorporated under the laws of the BVI with liability limited by shares on February 8, 2019
"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
"Fine Credit Investment"	Fine Credit Investment Holding Limited (誠基嘉和投資控股有限公司), a limited company incorporated under the laws of Hong Kong on March 22, 2019
"Frost & Sullivan" or "Industry Consultant"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.

"Frost & Sullivan Report"	the industry report commissioned by our Company and independently prepared by Frost & Sullivan
"GDP"	gross domestic product
"GFA"	gross floor area
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Golden Foal Investments"	Golden Foal Investments Limited (金駒投資有限公司), a company incorporated under the laws of the BVI with liability limited by shares on March 8, 2019
"**GREEN** Application Form(s)"	the application form(s) to be completed by **White Form eIPO** Service Provider designated by our Company, Computershare Hong Kong Investor Services Limited
"Group" or "our Group" or "we" or "us"	our Company and our subsidiaries or any of them at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be as if they were subsidiaries of our Company at the relevant time)
"Haiziwa Hotel"	Haiziwa International Tourist Attraction Hotel and Apartments (海子窪文化旅遊景區酒店及配套公寓), one of our properties under development in Zhangbei
"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"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" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Hong Kong Offer Shares"	the 20,000,000 Offer Shares initially offered by our Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure and Conditions of the Global Offering")

"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed "Structure and Conditions of the Global Offering" in this prospectus) at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees), on and subject to the terms and conditions described in this prospectus and on the Application Forms as further described in "Structure and Conditions of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange" or "Stock Exchange"	the Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 29, 2019 relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators and the Hong Kong Underwriters, as further described in "Underwriting — Underwriting Arrangements and Expenses"
"Huailai Tianbao Property Development"	Huailai Tianbao Property Development Company Limited (懷來天保房地產開發有限公司), a limited liability company established in China on August 23, 2016 and an indirect wholly-owned subsidiary of our Company
"IFRSs"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Committee
"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 180,000,000 Shares initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in "Structure and Conditions of the Global Offering")

"International Offering"	the offer of the International Offer Shares by the International Underwriters outside the United States in offshore transactions in accordance with Regulation S, as further described in "Structure and Conditions of the Global Offering"
"International Underwriters"	the group of international underwriters that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement expected to be entered into on or around November 4, 2019 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting — The International Offering"
"Jixiang International Industrial"	Jixiang International Industrial Company Limited (吉祥國際實業有限公司), a company incorporated under the laws of the BVI with liability limited by shares on November 15, 2018
"JLL" or "Property Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
"Joint Bookrunners"	ABCI Capital Limited, Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited and Haitong International Securities Company Limited
"Joint Global Coordinators"	ABCI Capital Limited and Guotai Junan Securities (Hong Kong) Limited
"Joint Lead Managers"	ABCI Securities Company Limited, Guotai Junan Securities (Hong Kong) Limited, BOCOM International Securities Limited, Haitong International Securities Company Limited, ZJKF Securities Investment (Hong Kong) Limited, CRIC Securities Company Limited, Zhongtai International Securities Limited, Livermore Holdings Limited, Yue Xiu Securities Company Limited and HTF Securities Limited
"Joint Sponsors"	ABCI Capital Limited and Guotai Junan Capital Limited
"LAT"	Land Appreciation Tax (土地增值稅) as defined in《中華人民共和國土地增值稅暫行條例》(the Provisional Regulations of the PRC on Land Appreciation Tax) and its implementation rules, as described in the section headed "Regulatory Overview" in this prospectus
"Latest Practicable Date"	October 21, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication

"Listing"	listing of the Offer 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 around November 11, 2019, on which our Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Lu Ban Award"	the Lu Ban Award for Construction Engineering in China (中國建設工程魯班獎), the highest and most prestigious award given by the MOHURD and China Construction Industry Association for construction quality excellence
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of our Company, conditionally adopted on October 21, 2019 which will become effective on the Listing Date, a summary of which is contained in Appendix IV to this prospectus, and as amended from time to time
"MLR"	Ministry of Land and Resources of the PRC (中華人民共和國國土資源部), currently combined into the Ministry of Natural Resources of the PRC (中華人民共和國自然資源部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"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), formerly known as Ministry of Construction of the PRC (中華人民共和國建設部)
"Mr. Li"	Mr. Li Baotian (李保田), our executive Director and chairman of the Board
"Ms. Zhou"	Ms. Zhou Chunlan (周春蘭), the spouse of Mr. Li
"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)
"NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

"Offer Price"	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$3.10 and expected to be not less than HK$2.39, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in "Structure and Conditions of the Global Offering — Pricing of the Global Offering", subject to any Downward Offer Price Adjustment
"Offer Share(s)"	the Hong Kong Offer Shares and the International Offer Shares, together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering our Company may be required to allot and issue up to an aggregate of 30,000,000 additional Shares (representing approximately 15% of the initial Offer Shares) at the Offer Price to cover over-allocations (if any) in the International Offering, further details of which are described in the section headed "Structure and Conditions of the Global Offering"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended, supplemented or otherwise modified from time to time, which was further amended on October 26, 2018 to take effective on the same day
"PRC GAAP"	generally accepted accounting principles of PRC
"PRC Legal Advisors"	Jia Yuan Law Offices, legal advisors to our Company as to the PRC laws in connection with the Global Offering
"Pre-IPO Investment"	the transactions as described in the section headed "Our History, Reorganization and Corporate Structure — Pre-IPO Investment" in this prospectus

"Pre-IPO Investment Agreement"	the equity transfer agreement dated March 20, 2019 between Mr. Li and Ms. Wu Mengxia in relation to the Pre-IPO Investment
"Pre-IPO Investor"	Ms. Wu Mengxia
"Price Determination Agreement"	the agreement to be entered into by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or around November 4, 2019 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company may agree, but in any event no later than November 5, 2019
"Principal Share Registrar"	Estera Trust (Cayman) Limited
"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
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"Saleable GFA"	GFA of a property which we intend to sell and which does not exceed the multiple of the site area and the maximum permissible plot ratio as specified in the relevant land grant contracts or other approval documents from governmental authorities relating to the project
"SAT"	the State Taxation Administration (中華人民共和國國家稅務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary shares of nominal or par value HK$0.01 each in the share capital of the Company

"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on October 21, 2019 the principal terms of which are summarized in the section headed "Appendix V — Statutory and General Information — D. Other Information — 1. Share Option Scheme" in this prospectus
"Shareholders(s)"	holder(s) of the Share(s)
"Stabilization Manager"	Guotai Junan Securities (Hong Kong) Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"Tianbao China Holdings"	Tianbao China Holdings Company Limited (天保中國控股有限責任公司), a company incorporated under the laws of the BVI with liability limited by shares on November 15, 2018 and a direct wholly-owned subsidiary of our Company
"Tianbao Construction Group"	Tianbao Construction Group Company Limited (天保建設集團有限公司), a limited liability company established in China on March 18, 1998 and an indirect wholly-owned subsidiary of our Company
"Tianbao Corporate Management"	Tianbao Corporate Management Company Limited (天保企業管理有限公司), a limited liability company established in China on October 30, 2018 and an indirect wholly-owned subsidiary of our Company
"Tianbao Property Development"	Tianbao Property Development Company Limited (天保房地產開發有限公司), a limited liability company established in China on May 10, 2001 and an indirect wholly-owned subsidiary of our Company
"Track Record Period"	for the three years ended December 31, 2018 and four months ended April 30, 2019
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

"VAT"	value-added tax
"**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**"	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**
"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Withdrawal Mechanism"	a mechanism which requires the Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (such as the Offer Price) in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach, for example requiring investors to positively confirm their applications for Shares despite the change
"Xiong'an New Area"	established in Hebei Province in April 2017, as part of PRC government's measures to advance the coordinated development of the Beijing-Tianjin-Hebei Region. This New Area currently spans three counties of Xiongxian, Rongcheng and Anxin
"**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
"Yuxian Tianbao Property Development"	Yuxian Tianbao Property Development Company Limited (蔚縣天保房地產開發有限公司), a limited liability company established in China on June 30, 2017 and an indirect wholly-owned subsidiary of our Company
"Zhangbei County Tianbao Property Management"	Zhangbei County Tianbao Property Management Co., Ltd. (張北縣天保物業服務有限公司), a limited liability company established in China on May 6, 2013 and an indirectly wholly-owned subsidiary of Baoxin Industrial
"Zhangbei Tianbao Hengqi Property"	Zhangbei Tianbao Hengqi Property Development Company Limited (張北天保恒旗房地產開發有限責任公司), a limited liability company established in China on October 8, 2013 and an indirect wholly-owned subsidiary of our Company
"Zhuozhou City Mingyang Property"	Zhuozhou City Mingyang Property Development Company Limited (涿州市明陽房地產開發有限責任公司), a limited liability company established in China on July 4, 2006 and an indirect wholly-owned subsidiary of our Company

"Zhuozhou Longhuixin Decoration"	Zhuozhou Longhuixin Decoration Co., Ltd. (涿州隆慧鑫裝飾裝璜有限責任公司), a limited liability company established in China on February 8, 2007 and owned as to 10% by Ms. Wang Huijie (王慧杰), our executive Director and 90% by Mr. Li Jun (李軍), her spouse
"Zhuozhou Tianbao Construction"	Zhuozhou Tianbao Construction Co., Ltd. (涿州天保建築體系有限公司), a limited liability company established in China on November 1, 2005 and owned as to 70% by Mr. Li and 30% by Baoxin Industrial
"Zhuozhou Tianbao Industrial"	Zhuozhou Tianbao Industrial Company Limited (涿州天保實業有限公司), a limited liability company established in China on March 18, 2019 and an indirect wholly-owned subsidiary of our Company
"Zhuozhou Tianbao Property Management"	Zhuozhou Tianbao Property Management Co., Ltd. (涿州天保物業服務有限公司), a limited liability company established in China on August 24, 2010 and a wholly-owned subsidiary of Baoxin Industrial

In this prospectus, the terms "associate", "close associate", "connected person", "core connected person,", "connected transaction", and "substantial shareholder" 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.

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.

"BIM"	Building Information Modeling
"building ownership certificate"	building ownership certificate issued by relevant PRC government authorities with respect to the ownership rights of buildings (房屋所有權證)
"civil defense"	a range of emergency measures to be taken to protect citizens and their property from aerial warfare and natural disasters
"completion certificate"	construction works completion inspection acceptance certificate/record issued by local urban construction bureau or competent authorities in China with respect to completion of property projects (建築工程竣工驗收備案表)
"concrete"	a composite material composed mainly of water, construction aggregate and cement
"construction land planning permit"	construction land planning permit issued by local urban zoning and planning bureaus or competent authorities in China (建設用地規劃許可證)
"construction work commencement permit"	construction work commencement permit issued by local housing and urban-rural development bureaux or competent authorities in China (建築工程施工許可證)
"construction work planning permit"	construction work planning permit issued by local urban zoning and planning bureaus or competent authorities in China (建設工程規劃許可證)
"Constructor License"	a license awarded to certified constructors in China, comprising Class A (一級) and Class B (二級) constructor licenses
"contract value"	final negotiated or proposed price of a contract before tax
"curtain wall"	an outer covering of a building in which the outer walls are non-structural, designed to handle all loads imposed on it as well as keep air and water from penetrating the building envelope
"GB/T28001-2011"	a recommended standard in China for an occupational health and safety management system (職業健康安全管理體系)
"IT"	information technology
"land grant contract"	a land use rights grant contract (土地使用權出讓合同)
"land use rights certificate"	a certificate (or certificates as the case may be) of the right of a party to use a parcel of land

"non-capital functions" (非首都功能)	ordinary manufacturing industry, regional logistics bases, regional wholesaling market, certain educational and healthcare and other public services, and certain administrative and public institutions (一般性製造業、區域性物流基地和區域性批發市場、部分教育醫療等公共服務功能以及部分行政性、事業性服務機構) as referred by Beijing Municipal Development and Reform Commission on July 16, 2015
"Premium Grade Certificate"	Premium Grade Certificate for Enterprises of General Construction Contracting Work (建築工程施工總承包企業特級資質), awarded to construction companies meeting the Premium Grade Standards
"Premium Grade Standards"	the Premium Grade Qualification Standards for Enterprises of General Construction Contractors (建築工程施工總承包企業特級資質標準)
"pre-sale permit"	a pre-sale permit authorizing a developer to start the pre-sale of a property under construction (商品房預售許可證)
"sq.m."	square meters
"steel structure"	structural supporting elements comprising steel columns, girders and beams of a construction project

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 strategy, 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:

- general political and economic conditions, including those related to the PRC;
- 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 operations and prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in China 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; and
- various business opportunities that we may pursue.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "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.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks and uncertainties associated with an investment in our Company before making any investment decision regarding our Company. You should pay particular attention to the fact that our Company was incorporated in the Cayman Islands and our operations are conducted in China and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

RISKS RELATING TO OUR INDUSTRIES AND BUSINESSES

Risks Relating to Our Industries

Our businesses and future growth are subject to macroeconomic conditions in China, particularly Hebei Province, which are beyond our control.

Our business and future growth prospects depend on general economic conditions and levels of construction and infrastructure development in China, particularly in the Hebei Province where our business is focused. In 2016, 2017, 2018 and the four months ended April 30, 2019, our revenue generated from projects in the Hebei Province amounted to RMB681.3 million, RMB902.2 million, RMB1,021.8 million and RMB451.4 million, respectively, accounting for 85.1%, 75%, 63.8% and 82.9% of our total revenue, respectively. Property development and construction activities in China are sensitive to economic fluctuations and market uncertainty, and are controlled or managed by the PRC government through its policy-making. The PRC economy grew at a slower pace in 2015, 2016, 2017 and 2018 than in previous years, with a yearly real GDP growth of 6.9%, 6.7%, 6.9% and 6.5%, respectively. However, our revenue may be adversely affected if the PRC economy experiences slower growth or enters into recession, or if construction spending is reduced. In addition, as we derived a majority of our revenue from the Hebei Province during the Track Record Period, demand for our services and products in Hebei Province may be reduced if the local economy experiences a significant downturn. Our property development business could also be affected by any adverse local economic and financial developments, speculative activities in local markets and demand for and supply of properties. Our ongoing projects, in which we have invested significant resources and capital, may be put on hold or stopped if economic conditions deteriorate, and we may be unable to collect payments and recover our costs.

Our operations are subject to extensive government policies and regulations and we are particularly susceptible to adverse changes in policies relating to the property development industry and PRC construction industry in regions in which we operate.

Our business is subject to extensive governmental regulation and, in particular, we are sensitive to policy changes related to the PRC property development industry and construction industry, including those that affect the supply of land for property development, project financing and taxation, as well as local government budgets and the policies regarding regulation and control of the property market.

During the Track Record Period, the PRC government implemented various regulations and policies aimed to cool down the property market and control inflation with respect to property values. Various pricing controls have been implemented in recent years, including household registration requirements for the purchase of property imposed by certain cities, restrictions on mortgages and higher interest rates for property transactions in the secondary market, among others. These policies may affect the level of activity in China property development industry, and could also affect the number of construction projects available to us.

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

On April 1, 2017, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development issued the Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Immediate Residential Properties and Land Supply (《住房和城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知》). To maintain a housing supply-demand balance, cities facing serious demand over supply and overheating market shall appropriately increase the supply of housing land, especially for ordinary commercial houses; and cities with excessive housing supply shall reduce or suspend the land supply for housing. All the local governments shall build inspection systems to monitor the source of funds for land acquisition to ensure that the property developers use their own legal funds to purchase lands. See "Regulatory Overview — Measures on Stabilizing Housing Prices." These measures reduced the transaction volumes in certain major cities in China in the second quarter of 2017.

In May 2017, Zhangjiakou Municipal People's Government enacted Opinions on Accelerating Development of Housing Security and Supply to Promote the Stable and Healthy Development of the Property Market (張家口市人民政府關於加快住房保障和供應體系建設促進房地產市場平穩健康發展的意見). The policy aims to develop a well-established property market, including home purchase restriction. For example, in city center, local households with one home and all non-local households can only purchase one more home in city center. For local households with one home, the percentage of down payment is much higher than those who purchase the first home.

In May 2017, Baoding Municipal People's Government enacted Opinions on Reinforcing Property Market Management (保定市人民政府關於加強房地產市場管理的意見), based on Opinions on Further Developing the Property Market Healthily (關於進一步促進全省房地產市場平穩健康發展的實施意見) enacted by the People's Government of Hebei Province, to maintain the property market steady, healthy and sustainable, and to support the establishment of Xiong'an New Area. The opinions strictly restrict the residents on home purchase. For example, local households with over two homes in city center and non- local households with over one home in city center cannot purchase homes any more.

In March 2017, Zhuozhou Municipal People's Government enacted Opinions on Maintaining the Stable and Healthy Development of the Property Market (涿州市人民政府關於保持房地產市場平穩健康發展的實施意見). The policy aims to maintain a well-ordered property market, including home purchase restriction. For example, non-local households can only purchase one home and the percentage of down payment could not be lower than 30%. For local households with one home, the second home percentage of down payment could not be lower than 50%.

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

Our business and prospects are heavily dependent on the performance of the PRC property markets, particularly in the various cities we operate and intend to operate, and therefore any potential decline in property sales or prices or demand for properties in China generally, or in the cities where our projects are located, could have a material adverse effect on our business, financial condition and results of operations.

We develop and sell properties in Hebei Province. During the Track Record Period, we had 20 property projects in Zhuozhou and Zhangjiakou at various stages of development and we plan to expand into cities in the Beijing-Tianjin-Hebei Region, as well as Sichuan Province. Our business continues to be heavily dependent on the property markets in these areas. These property markets may be affected by local, regional, national and global factors, including economic and financial developments, speculative activities in local markets, demand for and supply of properties, availability of alternative investment choices for property buyers, inflation, government policies, interest rates and the availability of capital. Any adverse developments in China property market generally or in the cities in which we have or expect to have operations could materially and adversely affect our business, financial condition, results of operations and prospects.

Overall demand for private residential property has been increasing rapidly in recent years, which has often been coupled with volatile market conditions and fluctuations in prices. Numerous factors may affect the development of the market and, accordingly, it is very difficult to predict when and how significantly demand will develop. Limited availability of accurate financial and market information and the general low level of transparency in China's property development industry contribute to overall market uncertainty. Investors may be discouraged from acquiring new properties due to the lack of a liquid secondary market for residential properties. In addition, the limited amounts and types of mortgage financing available to individuals, together with the lack of long-term security of legal title and enforceability of property rights, may also inhibit demand for residential property. The risk of over-supply is also increasing in parts of China where property investment, trading and speculation have become more active. If, as a result of any one or more of these or similar factors, demand for residential property or market prices decline significantly, our business, results of operations, financial condition and prospects could be materially and adversely affected.

We face intense competition in our industries, and failure to compete effectively may cause us to lose market share.

The property market in China is highly fragmented and competitive in recent years. National, regional and local property developers have entered the property markets in the region where we have operations and those into which we may enter in the future. Our competitors include top-tier domestic and local developers and they may have better access to resources, in particular financial resources than us. Competition among property developers may cause an increase in land costs and raw material costs, temporary local market surpluses in property supply leading to property price declines, and higher costs to attract or retain talented employees, thereby affecting our profitability. If we fail to compete effectively, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The PRC construction industry is highly fragmented. Accordingly, we face intense competition from a significant number of construction companies that provide services or products similar to or providing alternatives to those that we provide. As of December 31, 2018, there were more than 88,000 construction contracting companies in China, including approximately 2,500 in the Hebei Province. Some of our competitors may have longer operating histories, stronger capital resources, larger customer bases, stronger customer relationships, greater brand name recognition, greater financial, technical, marketing and public relations resources, or offer a wider range of services and products than we do. As a result, some of our competitors may be better positioned than we are to develop superior services and products or to adapt to market trends. Our competitiveness depends on our record of timely project delivery and wide range of high-quality services and products, as well as innovation and technological capabilities. Competitive pressures may require us to reduce our prices or increase our costs and may adversely affect our profit margins. Our failure to compete effectively could materially and adversely affect our business, financial condition, results of operations and market position.

Risks Relating to Our Property Development Business

We may not be able to acquire land reserves in desirable locations that are suitable for development at commercially acceptable prices in the future, which may affect our business, financial condition, results of operations and prospects.

The growth and success of our business depend on our ability to continue acquiring land reserves located in desirable locations at commercially reasonable prices. Our ability to acquire land depends on a variety of factors that we cannot control, such as general economic conditions, our effectiveness in identifying and acquiring land parcels suitable for development and the competition for such land parcels. During the Track Record Period, a majority of our completed projects were developed on land obtained through public tender, auction or listing-for-sale process organized by government authorities, and we may continue to acquire land for our property development projects through such method. The availability and price of land acquired through public tender, auction or listing-for-sale process organized by government authorities depend on factors beyond our control, including government land policies and competition. The PRC government and relevant local authorities control the supply and price of new land parcels and approve the planning and use of such land parcels. Local governments control the availability of land acquisition by public tender, auction or listing-for-sale process organized by government authorities. Specific regulations are in place to control the methods and procedures by which land parcels are acquired and developed in China. See "Regulatory Overview." Furthermore, rapid property development in Zhuozhou and Zhangjiakou and other parts of Hebei Province in recent years has resulted in a shortage in the supply of undeveloped land in desirable locations and increased land acquisition costs, which is one of the largest components of our cost of sales. Any increase in our land costs resulting from shortages of supply or our inability to procure land could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our results of operations largely depend on a number of factors including the schedule of our property development and the timing of property sales and may therefore vary significantly from year to year.

Our property development business model is to sell certain properties for immediate return of capital to fund our business, operations and expansion plans, while strategically retaining other properties for stable recurring rental income and long-term capital appreciation. In 2016, 2017, 2018 and the four months ended April 30, 2019, our revenue generated from property development and sales amounted to 9.7%, 22.8%, 25.0% and 50.4%, respectively, of our revenue. Our results of operations may fluctuate due to factors such as the schedule of our property development projects and the timing of property sales.

We generally recognize revenue from the sale of our properties upon delivery to purchasers. There is a time difference between pre-sales of projects under development and the delivery of completed properties. Because the timing of completion of our properties varies according to our construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold, and the timing between our pre-sales and completion and the delivery of the properties to purchasers. Periods in which we pre-sell a large amount of aggregate GFA may not be periods in which we generate a correspondingly high level of revenue, if the properties pre-sold are not completed and delivered within the same period. The effect of timing of delivery on our operational results is accentuated by the fact that during any particular period of time we can only undertake a limited number of projects due to the substantial capital requirements for land acquisition and construction costs.

In addition, the real estate market volatility may subject us to risks in connection with possible impairment loss for properties under development as well as completed properties held for sale, if we fail to complete the construction and sell the properties in time at our desired prices. Impairment loss may arise when the carrying value of a property exceeds its recoverable amount. Although we did not record any impairment loss for properties under development or completed properties held for sale during the Track Record Period, we cannot assure you that we may not incur impairment losses, if any, during adverse market conditions in the future.

Fluctuations in our operating results may also be caused by other factors, including fluctuations in expenses, such as land grant premium, development costs, administrative expenses, and selling and marketing expenses, and changes in market demand for our properties. As a result, our period-to-period comparisons of results of operations for property development and cash flow positions may not be indicative of our future results of operations and may not be taken as meaningful measures of our financial performance for any specific period. In addition, the cyclical PRC property market affects the optimal timing for the acquisition of land, the planning of development and the sales of properties. This cyclicality, combined with the lead time required for the completion of projects and the sales of properties, means that our results of operations relating to property development activities may be susceptible to significant fluctuations from period to period. Furthermore, our property development projects may be delayed or adversely affected by a combination of factors beyond our control, which may in turn adversely affect our revenue recognition and consequently our cash flow and results of operations, particularly for the property development business.

The locations of our property projects have a direct impact on their selling prices or recognized ASP per sq.m., our sales revenue and our gross profit margins.

Historically, properties in Zhuozhou generally commanded a relatively high average price per sq.m., while those in Zhangjiakou generally commanded a relatively low average price per sq.m. See "Industry Overview." The selling prices or recognized ASP per sq.m. of our property projects are affected by the location of these projects. While the selling prices or recognized ASP per sq.m. of our property projects vary depending on their locations, our sales revenue and therefore our gross profit margin may vary depending on the mix in geographical locations of our property projects being delivered for a particular period. See "Financial Information — Description of Selected Components of Our Consolidated Statements of Profit or Loss — Gross Profit and Gross Profit Margin." Therefore, our Group's gross profit margins may decrease in the foreseeable future if expected sales contributed by our property projects in locations with relatively higher recognized ASP per sq.m., such as Zhuozhou, decreased.

In addition, there is no assurance that our selling prices or recognized ASP per sq.m., as a whole, will always be consistent with the industry trends in the cities in which we operate. Our selling prices or recognized ASP per sq.m., as a whole, might deviate from the industry trends as a result of changes in the mix of property series and product types we launch for sale and pre-sale in a particular period and the timing of the completion of properties, making it difficult to predict the future trends.

We face risks related to pre-sales of properties from any potential limitation and restriction imposed by the PRC government as to such activities and claims from customers in the event the pre-sold properties are not delivered on time.

PRC law allows property developers to pre-sell properties prior to their completion upon satisfaction of certain requirements. We depend on cash flows from the pre-sale of properties as an important source of funding for our property projects. Under current PRC laws and regulations, property developers must fulfill certain conditions before they can commence pre-sale of properties and the use of pre-sale proceeds may be subject to certain limitations. The pre-sale proceeds of properties may only be used to fund the property development costs of the relevant projects. See "Regulatory Overview — Property Transfer and Sale — Pre-sale of commodity properties." There is no guarantee that the PRC government will not adopt any restrictions to or will not abolish current pre-sale practices. The future implementation of any restrictions on our ability to pre-sell our properties, including any requirements to increase the amount of up-front expenditures we must incur prior to obtaining a pre-sale permit, would extend the time required for recovery of our capital outlay and would force us to seek alternative means to finance the various stages of our property developments, including increasing borrowings, which would in turn increase our interest payments. This could have a material adverse effect on our business, cash flow, financial condition and results of operations.

In addition, we may experience delays in the completion of pre-sold property developments, in which case we may be liable to purchasers for their losses. Furthermore, pursuant to the pre-sale agreements we enter into with our customers, if a pre-sold property development is not delivered on time, the purchaser may be entitled to damages. If the delay extends beyond the contractually specified period, the purchaser may terminate the pre-sale agreement, reclaim the payment and claim damages in accordance with the contract.

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

Property developers in China typically assist purchasers of property to obtain the relevant individual property ownership certificates within 90 days of delivery of the property. Property developers, including us, generally elect to specify the deadline for the delivery in the property sale and purchase agreements to allow sufficient time for the application and approval processes.

Under current regulations, we are required to submit requisite governmental approvals in connection with our property development projects including land use rights documents and planning permits, to the local bureau of land resources and housing administration after receipt of the completion and acceptance certificate for the relevant properties and apply for the property ownership initial registration in respect of these properties.

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

We may not be able to detect and prevent bribery or other misconduct committed by our employees or third parties which, in turn, could adversely affect our business, financial position, reputation and business image.

Bribery and other misconduct including, among other things, unauthorized sub-contracting, acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our subcontractors or suppliers, in our ordinary course of business may be difficult to detect and deter and could subject us to litigation or harm our reputation.

Furthermore, it is not always possible to detect or deter such activities, the precautions we take to detect and prevent these activities may not be effective in all cases, particularly as we expand our business operations into other markets in China, and our internal control system may not be effective in preventing the occurrence of misconduct, corruption, bribery or other illegal activities. We cannot assure you that any misconduct of employees or third parties, if any, whether involving past acts that have gone undetected or future acts, will not have a material adverse effect on our business, financial position, results of operations, reputation and business image.

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

We are required to reassess the fair value of our investment properties at the end of each reporting period. Under IFRS, gains or losses arising from changes in the fair value of our investment properties are included in our consolidated statements of profit or loss for the period in which they arise. Our investment properties as of December 31, 2016, 2017, 2018 and April 30, 2019, were valued by JLL, an independent property valuer, on an open market and existing use basis, which reflected market conditions on the respective dates. Based on such valuation, we recognized the aggregate fair value of our investment properties and relevant deferred tax on our consolidated statements of financial position and increases in fair value of investment properties and movements of the relevant deferred tax on our consolidated statements of profit or loss. In 2016, 2017, 2018 and the four months ended April 30, 2019, our fair value gains on investment properties was RMB28.7 million, RMB2.6 million, RMB19.4 million and RMB3.7 million, respectively. We recorded net profit of RMB37.2 million, RMB59.3 million, RMB108.2 million and RMB53.4 million, respectively, in the same periods.

Despite their impact on the reported profit, fair value gains or losses do not change our cash position as long as the relevant investment properties are held by us. The amount of revaluation adjustments has been, and will continue to be, subject to market fluctuations. As a result, we cannot assure you that changes in the market conditions will continue to create fair value gains on our investment properties or that the fair value of our investment properties will not decrease in the future. In addition, the fair value of our investment properties may materially differ from the amounts we would receive in actual sales of the investment properties. Any significant decreases in the fair value of our investment properties or any significant decreases in the amount we could receive in actual sales of the investment properties as compared with the recorded fair value of such properties would materially and adversely impact our results of operations.

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

Our investment property competes for tenants with other property developers on factors such as location, quality, maintenance, property management, rental rates, services provided and other lease terms. There can be no assurance that our existing or prospective tenants will not choose other properties. Any future increase in the supply of properties which compete with us would increase competition for tenants and, as a result, we may have to reduce rental rates or incur additional costs to make our properties more attractive. Also, we may not be able to lease our property to a desirable mix of tenants to achieve our business objectives or for rental rates that are consistent with our projections. If we are unable to retain our existing tenants, attract new tenants to replace those that leave, or lease our vacant properties, our occupancy rates may decline and our investment property may become less attractive and competitive. This in turn may have a material and adverse effect on our business, financial condition and results of operations.

We incur maintenance and operating costs in operating our investment properties, which may increase in the future.

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

In addition, operating investment properties and other associated facilities involves a significant amount of fixed costs, including maintenance and upkeep costs as well as employee and staff salaries and expenses. These fixed costs limit our ability to respond to adverse market conditions by minimizing costs. Such limitations may have an adverse impact on our profitability if the property leasing industry experiences a downturn and may exacerbate the impact of a decline in occupancy rates and rental rates. Any significant increase in maintenance costs and operating costs may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We face certain risks of defects or deficiencies in connection with our investment properties and any accidents, injuries or prohibited activities in our investment properties may adversely affect our reputation and subject us to liability.

Our investment properties may have defects or deficiencies requiring significant capital expenditures, repair or maintenance expenses or payment of other obligations to third parties. If any of our investment properties has design, construction or other latent property or equipment defects, repairs, maintenance or, if necessary, replacements may need to be carried out to rectify these defects. In addition, wear and tear of our investment properties or adverse weather conditions could result in defects requiring repairs or replacement. Such defects and/or the repair, maintenance or replacement works carried out to rectify them could increase our costs and could have an adverse effect on the operations of our investment properties and/or the attractiveness to tenants of such investment properties.

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

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

We derived a substantial portion of our revenue from sales of our properties during the Track Record Period. Most purchasers of our properties apply for bank borrowings and mortgages to fund their purchases. In accordance with industry practice, banks require us to guarantee mortgage loans taken out by purchasers of the properties that we develop. Typically, we guarantee the full value of mortgage loans taken out by purchasers, as well as accrued interest and penalties for defaults in mortgage payments, up until the issuance of the relevant property ownership certificates and the registration of the mortgage in favor of the mortgagee bank. These are contingent liabilities not reflected on our balance sheets. If a purchaser defaults on a mortgage loan, we may be required to repurchase the underlying property by paying off the mortgage. If we fail to do so, the mortgagee bank may auction the underlying property and recover any additional amount outstanding from us as the guarantor of the mortgage loans. In line with industry practice, we do not conduct any independent credit checks on our customers and rely on the credit evaluations conducted by the mortgage banks for such customers.

As of April 30, 2019, our outstanding guarantees in respect of the residential mortgages of our customers amounted to RMB855.8 million. However, should any material default occur and if we were called upon to honor our guarantees, our financial condition and results of operations could be adversely affected.

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

According to the PRC laws and regulations, new buildings constructed in cities should contain basement areas that can be used for civil air defense purposes in times of war. According to the PRC Civil Air Defense Law (《中華人民共和國人民防空法》) promulgated by the NPC Standing Committee (NPCSC) on October 29, 1996, as amended on August 27, 2009, and the Management Measures for Peacetime Development and Usage of Civil Air Defense Properties (人民防空工程平時開發利用管理辦法) promulgated by the Office of Civil Air Defense of the People's Republic of China on November 1, 2001, after obtaining the approval from the civil air defense supervising authority, a developer can manage and use such areas designated as civil air defense properties in times of peace and make profit therefrom. During the Track Record Period, certain such areas are used as basements. However, in times of war, such areas may be used by the government at no cost. In the event of war and if the civil air defense area of our projects is used by the public, we may not be able to use such area as basements. In addition, we cannot assure you that such laws and regulations will not be amended in the future, which may make it more burdensome for us to comply with and increase our compliance cost. We confirm that as of the Latest Practicable Date, we had three completed civil air defense properties with an aggregate GFA of 13,117.6 sq.m., and there were six civil defense areas under development, with an aggregate GFA of approximately 66,606.1 sq.m., which were primarily used or to be used for basements, representing an insignificant portion of our property portfolio.

The PRC regulatory authorities may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts or listing-for-sale confirmation letters.

Under PRC laws and regulations, if we fail to develop a particular project according to the terms of the relevant land grant contract or listing-for-sale confirmation letters, including those relating to the payment of land premiums and other fees, the specified use of the land and the timing for commencement and completion of the property development, the PRC government may issue a warning, impose a penalty, or reclaim our land. If we fail to pay any outstanding land premiums by the stipulated deadline, we may be subject to a late payment penalty according to the terms of the land grant contract. If we fail to fully pay the land premiums within 60 days after the signing of the land grant contract and the relevant local governments have issued a final notice with respect to such payment of land premium, the assignor is entitled to terminate the land grant contract and claim for indemnities.

Furthermore, subject to certain limited exceptions, if we fail to commence construction for more than one year from the commencement date stipulated in the land grant contract, the land authorities may serve us with an idle land notice and impose an idle land fee equivalent to 20% of the land premium. Subject to certain limited exceptions, if we fail to commence construction for more than two years, the land is subject to forfeiture. Zhongdu Garden, one of our residential properties developed by Zhangbei Tianbao Hengqi Property, has not commenced its construction since September 2013, the commencement date stipulated in the land grant contract, due to the lack of power supply for construction which should have been provided and permitted by the local authorities. Based on the written confirmation issued by the Zhangbei Land and Natural Resources Bureau, we are not liable for the delay of the commencement of the construction and will not be imposed on any punishments. Our PRC Legal Advisors confirmed that (i) Zhangbei Land and Natural Resource Bureau is the competent authority to provide the above written confirmation; and (ii) the likelihood of Zhangbei Tianbao Hengqi Property being penalized by the relevant authorities is remote. In addition, even if we commence construction in accordance with the land grant contract, if the size of the developed land area is less than one-third of the size of the total site area of the land, or if the total capital expenditure (not including the land premium or relevant tax and fees) is less than one-fourth of the total amount expected to be invested in the project, and the development of the land is suspended for more than one year without governmental approval, the land will nonetheless be treated as idle land.

We cannot assure you that regulations relating to idle land in China will not become more restrictive or circumstances leading to the imposition of penalties, liquidated damages or forfeiture of our land will not arise in the future. If we are deemed to hold land idle for more than one year without cause or are required to forfeit land, we may lose the opportunity to develop the relevant land. We may lose our investments in the land, including land premiums paid and development costs incurred, or suffer a hindrance in our ability to bid for other land in the future. Any such impairments could materially and adversely affect our business prospects, results of operations and financial condition.

Risks Relating to Our Construction Contracting Business

Failure to receive progress or milestone payments or retention fees on time or in full may materially and adversely affect our liquidity position.

We normally receive progress payments from our customers based on the site works done, or milestone payments from our customers based upon our achievement of key milestones of the project as stipulated in the project contract. Furthermore, our customers generally retain up to 5% of the total contract sum as retention fees. The retention fees are generally returned to us in full upon expiry of the defects liability period if there are no material quality issues with our works during such period. In most of our construction contracts, the defects liability period ranges from six months to two years following the completion of the construction contracting project, depending on the type of construction work we undertake. As such, if we fail to achieve any key milestone as stipulated in the project contract on time, we will not receive any milestone payments until we achieve such milestone, which may materially and adversely affect our cash flows and financial position. Should our customers fail to or delay in making progress payments or milestone payments, or in releasing retention fees, we may need to recognize such default payment as bad debts and our cash flow position and working capital may be materially and adversely affected.

Our trade receivables amounted to approximately RMB236.1 million, RMB235.4 million, RMB321.4 million and RMB141.7 million as of December 31, 2016, 2017, 2018 and April 30, 2019, respectively. During the Track Record Period, our average trade receivables turnover days were approximately 78 days, 75 days, 67 days and 54 days, respectively. Our adjusted average trade receivables turnover days with the inclusion of contract assets were approximately 369 days, 307 days, 261 days and 246 days during the Track Record Period. See "Financial Information — Selected Items of the Consolidated Statements of Financial Position — Trade Receivables."

There is no guarantee that our existing customers will engage us in future business.

As is customary in the industry in which we operate, we are awarded construction projects by our customers on a project-by-project basis. Accordingly, our existing customers are not obligated to award projects to us or to place new orders, and there is no guarantee that we will be able to secure new business from our customers despite the long-term relationships we may have established with certain customers. As a result, our revenue and the number of projects we are able to secure may vary from period to period and it is difficult to forecast the volume of our business in the future accurately. In 2016, 2017, 2018 and the four months ended April 30, 2019, we submitted 246, 233, 334 and 91 bids, respectively, and our success rates for such bids were 74.8%, 60.9%, 60.2% and 48.0%, respectively. We cannot guarantee that we will be able to secure future business from our existing customers, or that we will be able to develop relationships with new customers, in which case our business, results of operations and prospects would be materially and adversely affected.

Inaccurate estimates in applying the input method accounting for our construction contracting projects may result in a reduction of previously reported profits and have a significant impact on our period-to-period results of operations.

We use the input method to recognize and account for the revenue derived from our construction contracting business. During the Track Record Period, in determining the progress towards completion for each relevant reporting period, we used the actual construction cost incurred during the period over the total estimated construction cost during the entire construction phase. Going forward, we need to estimate the amount of construction costs based on our assessment of, among other things, the market conditions and the costs of raw materials and equipment and other operating costs. The timing of our recognition of revenue may differ materially from the timing of our actual receipt of contract payments. The timing of our recognition of revenue and the amount of revenue recognized are affected by our ability to reliably measure the total estimated costs and actual costs incurred. Inaccuracies or flaws in our measurements for any given project or in our estimation methodology as a whole could have a material and adverse effect on the timing of our recognition of revenue and the amount of revenue recognized. Where our expectation related to revenue recognition is different from our previous estimation, the differences will be charged to our profit or loss account in the period when such estimate has been changed. In addition, because many of these contracts are completed over a period of several months, the timing of our recognition of the related revenue may adversely affect our results of operations.

We have limited control over the quality, availability and performance of our construction subcontractors. If such parties fail to deliver quality services in a timely manner, our reputation and business operation may be adversely affected.

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 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. If 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.

Our results of operations may be significantly affected by changes in the prices and availability of labor and raw materials.

We are vulnerable to fluctuations in market prices and the availability of our raw materials. Our principal raw materials primarily include steel and concrete. Our raw materials represent a significant portion of our cost of sales. In 2016, 2017, 2018 and the four months ended April 30, 2019, raw materials costs accounted for 61.6%, 61.8%, 59.3% and 60.6% of our cost of sales for the construction contracting business, respectively. In addition, as is customary in China construction industry, we engage subcontractors to provide labor services. We generally enter into service contracts with certain Independent Third Parties that help to supply the labor force in our construction projects. The availability and cost of labor are important factors in our ability to complete construction projects in a timely and cost-effective manner. In 2016, 2017, 2018 and the four months ended April 30, 2019, our labor cost was RMB201.1 million, RMB241.1 million, RMB346.0 million and RMB77.3 million, respectively, accounting for 29.0%, 27.6%, 30.5% and 30.3% of our cost of sales for the construction contracting business, respectively.

The prices of raw materials and labor depend on a variety of factors beyond our control, including global financial conditions, the PRC economy and related government policies. During the Track Record Period, we did not experience any shortage of labor and raw materials or any significant increase in labor and raw materials costs that resulted in a significant delay in our project schedule or a material decrease in our profits; however, we cannot guarantee that we will be protected from a shortage or increased costs of labor and raw materials in the future, or that our project schedule or profitability will not be negatively affected as a result. If we experience a shortage, we may be forced to seek labor force or raw materials from other subcontractors or suppliers on short notice at higher cost. As a result, our profit margins may decrease and our results of operations may be materially and adversely affected.

We are subject to recoverability of our contract assets and our construction contracting business is subject to a relatively long cash conversion cycle.

We initially recognize contract assets as revenue earned from construction contracting business as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. Our construction contracting business is affected by the recoverability of our contract assets and is subject to a relatively long cash conversion cycle. Our contract assets increased from RMB613.2 million as of December 31, 2016 to RMB914.0 million as of December 31, 2017, primarily because we experienced delay in invoicing in 2017. Our contract assets decreased from RMB914.0 million as of December 31, 2017 to RMB785.0 million as of December 31, 2018, primarily due to a large amount of invoices issued in 2018 to our customers for a portion of our construction works in 2017 and 2018. Our contract assets increased from RMB785.0 million as of December 31, 2018 to RMB955.5 million as of April 30, 2019, primarily due to the pace of certain construction projects exceeding the pace of progress billing. As of August 31, 2019, RMB93.1 million or 9.7% of contract assets as of April 30, 2019 was billed, of which RMB91.1 million or 9.5% of contract assets as of April 30, 2019 was then settled. The relative slow billing of contract assets as of April 30, 2019 was primarily due to (i) the fact that the construction project owners would normally conduct inspection on the progress of the construction projects in the fourth quarter of the year or around year-end more often than the first half of the year and therefore the billing in the first half of the year would be less accordingly and (ii) a relatively long period of time take by certain project owners to complete internal approval procedures with respect to our proposed billing amount before we formally issues bills based on the progress of the construction projects certified by the project owners, which further increases the period of time from the inspection and certification by project owners to the billing by us. Therefore, we may continue to experience such slow billing of contract assets and a relatively long cash conversion cycle in the future, which in turn could affect our results of operations and financial position.

Backlog is subject to unexpected adjustments and cancelations and, therefore, may not be indicative of our future results of operations.

Backlog in our major businesses represents our estimate of the contract value of work that remains 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 the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles and may not be indicative of future results of operations. See "Business — Our Business Operations — Construction Contracting Business — Backlog and New Contract Value — Backlog." As of April 30, 2019, our aggregate backlog for our construction contracting business for the periods indicated was approximately RMB1,847.1 million. However, this figure is based on the assumption that our relevant contracts will be performed in full in accordance with their terms. The termination or modification of any one or more major contracts may have a substantial and immediate effect on our backlog; however, we cannot guarantee that the amount estimated in our backlog will be realized in full, in a timely manner, or at all, or that, even if it is realized, such backlog will result in profits as expected. As a result, you should not rely on our backlog information as an indicator of our future earnings.

We are exposed to potential risks associated with participation in government-directed projects.

Some of our contracts with governmental authorities or government-controlled entities are for large infrastructure projects. Changes in government budgets for infrastructure projects of related industries or factors such as public expenditures and policy considerations, changes in governmental officials or policy makers or other political factors could result in changes or delays to these projects because most of these projects are funded by the government, governmental authorities and public organizations.

In addition, disputes with the entities established by or directed by the PRC or other governmental entities could lead to contract termination if the disputes are left unresolved or may take a considerably longer period of time to resolve than disputes with our private sector counterparties, and payments from such entities may be delayed as a result. See "Business — Legal Proceedings and Compliance — Legal Proceeding." Such entities may from time to time require the construction methods or equipment to be changed, requiring us to reconfigure our designs or purchase additional machinery and equipment, thereby subjecting us to additional costs. Changes to government budgets and policies relating to our projects could lead to delays in project completion or a withholding of, or delay in, payments to us.

Government-controlled entities generally exercise substantial bargaining power in the performance of their contracts with us. If a local government-controlled entity terminates or fails to renew a contract with us, our backlog may be reduced. The occurrence of any of these risks may have an adverse effect on our business, financial position and results of operations.

Our business operations are subject to adverse weather conditions, severe air pollution, natural disasters and other operating hazards.

Most of our construction contracting services are conducted outdoors and may be materially and adversely affected by adverse weather conditions and severe air pollution. For example, we may experience significant project delays caused by inclement weather, such as protracted periods of precipitation or extreme temperatures. We may also be ordered by authorities to temporarily halt certain construction projects during times of severe air pollution. These situations could result in our inability to meet key milestones set forth in our construction contracting contracts, and cause us to incur additional costs. In addition, natural disasters and other operating hazards, such as earthquakes, floods, typhoons, landslides or fire, may interrupt our construction projects. Substantial damage to our projects caused by any of these events or the resulting disruptions, technical or mechanical difficulties or sourcing difficulties could be costly and time-consuming to repair and may disrupt our operations. Moreover, we could be forced to suspend or abandon our construction projects, which may cause us to incur additional costs and experience delays in the schedule of our construction projects. Any significant delay or interruption could impair our ability to meet our contractual obligations and cause us to be liable for damages or cause our customers to cancel orders, any of which could negatively affect our reputation, business and results of operations.

Our operations are subject to inherent operational risks and occupational hazards, which could cause us to incur substantial costs, damage to reputation and loss of future business.

Construction sites are potentially dangerous workplaces and our construction projects routinely place our employees, subcontracted workers and others in close proximity with heavy duty 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 surrounding these activities, such as equipment failure, industrial accidents, geological catastrophes, fire and explosions. These hazards may cause personal injury or fatalities, as well as damage to or destruction of property and equipment. See "Business — Occupational Health and Safety." 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 loss of future business, which may materially and adversely affect our business, financial position and results of operations.

Risks Relating to Our Business Operations

We may have difficulty in managing our future growth.

Our profit for the year increased at a CAGR of 70.5% from 2016 to 2018. Our profit for the period decreased by 28.3% from the four months ended April 30, 2018 to the same period in 2019. To continue our growth, we are required from time to time to take calculated risks. The success and continuation of our business operations and growth depend on our effective management of the resulting risks by, among others:

- improving our operational, financial and management systems;
- funding our property development projects at a reasonable cost;
- enhancing our risk monitoring to assess the financial condition and business potential of new and existing customers;
- managing our liquidity position while committing substantial resources to market expansion, business development, and service and product development efforts;
- managing the increased complexity of and costs associated with expanded operations, which may divert our resources and require substantial capital commitment;
- developing comprehensive capacities of our management team;
- training, motivating and managing our employees; and
- maintaining adequate facilities and equipment.

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

In order to achieve sustainable growth, we need to continue to seek development opportunities in select regions in China with the potential for growth and where we have no existing operations. We may not be able to identify geographic locations with sufficient growth potential to expand our market reach or operate our new projects. For the geographic locations we select, we may face intense competition from companies with established experience or presence and from other companies with similar expansion plans. As we may face challenges not previously encountered, we may fail to recognize or properly assess risks or take full advantage of opportunities.

Furthermore, our experience in existing markets and our business model may not be readily transferable to, and replicated in, new markets in our target cities. The markets in our target cities may be different from each other in terms of the level of local economic and industrial development, local governmental policies and support, development phases of local businesses, market demand for our properties and construction, types of properties and construction in need. We may have limited ability to leverage our established brands and reputation in new markets in the way we have done in our existing markets. Furthermore, the administrative, regulatory and tax environments in our target cities may be different from each other and we may face additional expenses or difficulties in complying with new procedures and adapting to new environments in the new markets. In addition, we may not have the same level of familiarity with local governments, business practices, regulations and customer preferences as other local and more experienced property developers in such cities, which may put us in a disadvantageous position.

As we continue to expand, we will have to continue to improve our managerial, development and operational expertise and allocation of resources. To effectively manage our expanded operations, we will need to continue to recruit and train managerial, accounting, internal audit, engineering, technical, sales and other staff to satisfy our development requirements, including staff with local market knowledge. In order to fund our ongoing operations and our future growth, we need to have sufficient internal capital sources or access to additional financing from external sources. Further, we will be required to manage relationships with a greater number of customers, tenants, suppliers, contractors, service providers, lenders and other third parties. Accordingly, we will need to further strengthen our internal controls and compliance functions to ensure that we are able to comply with our legal and contractual obligations and to reduce our operational and compliance risks. We cannot assure you that we will not experience issues such as capital constraints, construction delays and operational difficulties at new business locations. We may also experience difficulties in expanding our existing business and operations and training an increasing number of personnel to manage and operate the expanded business.

You should not consider our recent growth as indicative of our future performance. We cannot assure you that our systems, procedures, controls, personnel and expertise will be adequate to support our future growth. Failure to achieve any of the foregoing, or to manage the risks and uncertainties created by measures to achieve the foregoing, could materially and adversely affect our business, financial condition, results of operations and growth prospects.

We may not be able to complete construction projects or property development projects on time.

Property development and project construction is a long and complicated process, generally requiring large amounts of capital and involving numerous parties. To develop and complete a property development, a property developer must obtain a number of permits, licenses, certificates and other approvals from the relevant administrative authorities at various stages of property development. The progress and costs of a property development project can be adversely affected by many factors, including but not limited to:

- delays in obtaining necessary licenses, permits, certificates or approvals from governmental agencies or authorities as scheduled;
- suspension of the construction of certain outdoor projects ordered by authorities during severe air pollution;
- natural catastrophes and adverse weather conditions;
- changes in market conditions, economic downturns and decreases in business and consumer sentiments in general;
- changes in relevant regulations, government policies and government planning;
- relocation of existing residents and/or demolition of existing structures;

- delivery delays caused by shortages of key equipment, materials or labor;
- labor disputes;
- quality problems with equipment;
- unexpected engineering, design, environmental or geological problems;
- influence of unexpected adverse weather;
- failure to obtain sufficient bank loans or other financing on favorable terms, or at all; and
- errors in judgment on the selection and acquisition of potential sites.

Failure to complete construction projects or property development projects on schedule and within budget as a result of any or all of the above factors may affect our business, financial position and results of operations and may also cause reputational damage. We cannot assure you that we will not experience any significant delays in completion or delivery of any of our construction projects or property development projects or that we will not be subject to any liabilities for any such delays. Claims that we have failed to complete constructions or property developments on schedule could result in our involvement in legal disputes, which in turn could have a material adverse effect on our business, financial position and results of operations.

We may incur costs in relation to the retention fees offered to our customers.

We may incur costs in relation to retention fees offered to our customers. For property development projects, we provide our customers with warranties for the quality of building structures, and the warranty periods vary depending on the covered items and are usually for a period of two to five years. Our construction segment is responsible for rectifying quality defects, which may incur costs. In a majority of other construction contracts, the defects liability period is six months to two years, depending on the type of construction services provided. Retention fees retained by our customers are generally approximately 5% of the settlement amount of the entire project after deducting provisional sums and daywork labor costs, calculated upon completion and acceptance of the construction projects. The retention fee will generally be returned to us in installments during the defects liability period if no major quality issues arise during the relevant period or in full at the end of such period. During the Track Record Period, we collected the majority of the retention fees retained by our customers pursuant to the contract terms as they became due. There can be no assurance, however, that we will not be required to rectify quality defects for our properties or will recover all or any of the amounts retained by customers for warranty purposes in the future. If we are responsible for rectifying quality defects in the properties or are unable to recover a significant proportion of the amounts retained by our customers as retention fees, our future business, financial condition and results of operations may be materially and adversely affected.

Failure to protect our leasehold interests or comply with relevant regulation regarding our lease may cause interruptions to our business operations.

We lease certain properties from third parties mainly for our office use. As of the date of this prospectus, 10 of the lessors of our leased properties in China have not provided us with their property ownership certificates or any other documentation proving their right to lease those properties to us. If our lessors are not the owners of the properties and they have not obtained consents from the owners or their lessors, our leases could be terminated as a result of challenges by third parties. If this occurs, we may have to renegotiate the leases with the owners or other parties who have the right to lease the properties, and the terms of the new leases may be less favorable to us. Although we may seek damages from such lessors, such leases may be void and we may be forced to relocate.

As of the Latest Practicable Date, we had separately entered into 11 and 28 lease agreements as the tenants and the landlord failed to be registered with the relevant PRC governmental authorities as required by relevant PRC Laws. The failure to register the lease agreements does not affect the validity of the lease agreements under the relevant PRC laws and regulations; however, there can be no assurance that legal disputes or conflicts concerning such leases and tenancies will not arise in the future. In addition, we may be required by relevant government authorities to file the lease agreements for registration and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement, resulting in a maximum possible fine of RMB390,000.

The equity investments designated at fair value through other comprehensive income are likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our financial position.

Our equity investments designated at fair value through other comprehensive income are non-derivative financial assets in unlisted equity investments in Hebei Zhuozhou Rural Commercial Bank Corporation (河北涿州農村商業銀行股份有限公司) and Zhuozhou Tianbao Construction System Company Limited (涿州天保建築體系有限公司), representing our investments in the aforesaid entities established in China. The performance of aforesaid entities has affected, and will continue to affect, our results of operations and financial position. As of December 31, 2016, 2017 and 2018 and April 30, 2019, we recorded equity investments designated at fair value through other comprehensive income of nil, nil, RMB136.4 million and RMB140.0 million, respectively. For details, see Note 21 to the Accountants' Report included in Appendix I to this prospectus. Therefore, the operations and financial performance of the entities in which we invested may materially and adversely affect our results of operations and financial conditions.

The success of the above-mentioned entities depends on a number of factors, some of which are beyond our control. As a result, we may not be able to realize the anticipated economic and other benefits from these entities. In addition, our investments are subject to liquidity risk. Our investments in these entities are not as liquid as other investment products as there is no cash flow until dividends are received even if such entities reported profits under the equity accounting. Furthermore, our ability to promptly sell one or more of our interests in these entities in response to changing economic, financial and investment conditions is limited. The market is affected by various factors, such as general economic conditions, availability of financing, interest rates and supply and demand, many of which are beyond our control. We cannot predict whether we will be able to sell any of our interests for the price or on the terms set by us, or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a purchaser and to complete the relevant transaction. Therefore, the illiquid nature of our investment may significantly limit our ability to respond to adverse changes in the performance of such entities. In addition, if there is no share of results or dividends from such entities, we will also be subject to liquidity risk and our financial condition or result of operations could be materially affected.

The appraised value of our properties may be different from their actual realizable value and are subject to change, and if the actual realizable value of our properties is substantially lower than their appraised value, there may be a material adverse effect on our business, financial condition and results of operations.

The appraised value of our properties as set forth in the property valuation report contained in Appendix III to this prospectus is based on multiple assumptions that include elements of subjectivity and uncertainty. The assumptions, on which the appraised value of our properties and land reserves is based, include that we sell the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement, or any similar arrangement, which could serve to affect the values of the property interests; no allowance has been made for any charges, mortgages or amounts owing neither on any of the property interests valued nor for any expenses or taxation which may be incurred in effecting a sale; our properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

If we fail to obtain the approvals from regulators necessary for the development of our projects, some assumptions used by JLL in appraising the value of our properties will prove inaccurate. Therefore, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unforeseeable changes to the development of our property projects as well as national and local economic conditions may affect the value of our property holdings, and in turn materially and adversely affect our business, results of operation and financial condition.

Our income tax expenses may materially increase upon our switch to using a different calculation in the future.

The corporate income tax rate applicable to our PRC subsidiaries located in China is 25% pursuant to the PRC Enterprise Income Tax Law. The state taxation bureau of Zhuozhou (國家稅務總局涿州市稅務局) (the "Zhuozhou State Tax Bureau") and the Chengqu sub-bureau of the state taxation bureau of Zhangbei (國家稅務總局張北縣稅務局城區稅務分局) (the "Chengqu State Tax Sub-bureau") used to request, based on their policies, the adoption of deemed profit basis (核定徵收) in calculating enterprise income tax and LAT for all enterprises in the property development industry and the construction contracting industry under their supervision. As a result, our certain subsidiaries under their supervision adopted deemed profit basis in the Track Record Period, except that certain of our property developing companies were required by these tax bureaus to switch to accounting book method since January 1, 2017. The rest of our subsidiaries switch to the "accounting book method" since January 1, 2019, as approved by the corresponding tax authorities. Based on the interview on December 18, 2018 with the Zhuozhou State Tax Bureau and the interview on December 21, 2018 with the Chengqu State Tax Sub-bureau, and pursuant to confirmation issued by the Zhuozhou State Tax Bureau and the Zhangbei State Tax Bureau in February, both authorities confirmed that as of the date of confirmation, we had paid our corporate income tax and LAT in full, and they would not make retrospective adjustments on the historical corporate income tax and LAT levied from us based on the deemed profit basis, nor would they impose any penalty on us or collect any surcharge for overdue tax payment from us. Our PRC Legal Advisors have confirmed that the Zhuozhou State Tax Bureau and the Zhangbei State Tax bureau are the competent tax authorities of us, and the adoption of deemed profit basis of these subsidiaries was not due to any non-compliance and the risk of any retrospective adjustments or penalty is relatively low.

Under the deemed profit basis, net profit margin is deemed as 8% for the construction contracting companies and 10% for the property developers. The PRC enterprise income tax in turn is calculated using this deemed profit on the taxable income of the relevant companies multiplied by the 25% statutory income tax rate. See note 10 to the Accountants' Report in Appendix I to this prospectus for the calculation of our income taxes under the deemed profit basis during the Track Record Period. See "Financial Information — Description of Selected Components of Our Consolidated Statements of Profit or Loss — Income Tax Expense from Continuing Operations." If the size and profit margin of our business greatly increased, our income tax expenses may significantly increase upon our switch to the "accounting book method" from the "deemed profit basis" since January 1, 2019, and our business, financial position and results of operations may be materially and adversely affected.

Our financing costs are subject to changes in interest rates which ultimately impact our result of operations.

We have incurred and are expected to continue to incur a significant amount of interest expense relating to our borrowings from banks. Accordingly, changes in interest rates have affected and will continue to affect our financing costs. Because all of our borrowings are in Renminbi, the interest rates on our borrowings are primarily affected by the benchmark interest rates set by the PBOC, which have fluctuated significantly in recent years. We recorded finance costs of RMB6.1 million, RMB4.5 million, RMB5.1 million and RMB6.9 million in 2016, 2017, 2018 and the four months ended April 30, 2019, respectively. Future increases in the PBOC benchmark interest rate may lead to higher lending rates, which may increase our finance costs and thereby materially and adversely affect our business, financial condition, results of operations and prospects.

Our business may be adversely affected if we fail to obtain, or experience material delays in obtaining, requisite government approvals or licenses in carrying out our property development and construction operations.

We are subject to extensive laws and regulations at the national and local level, which govern various aspects of our operations. We cannot guarantee that our internal control measures will always be sufficient and effective. Certain legal uncertainties in, and inconsistent interpretations and enforcement of, current PRC laws and regulations expose us to the risk of non-compliance. If deemed non-compliant, we could be subject to administrative or regulatory fines and penalties, including the suspension or revocation of our licenses, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations. As the PRC legal system and the property development and construction industries continue to evolve, changes in the relevant laws and regulations or in their interpretation or enforcement may also make it difficult for us to comply with the laws and regulations.

We operate heavily regulated businesses that require us to obtain, maintain and renew a number of licenses, qualifications, approvals and permits including, but not limited to, qualification certificates for property development enterprise and construction contracting enterprise, land use rights certificates, construction work planning permits, construction works commencement permits, pre-sale permits and completion certificates. We must meet specific conditions in order for the government authorities to issue or renew any certificate, license or permit. Further, we are subject to regular inspections, examinations, inquiries and audits, as well as periodic and spot inspections by the relevant governmental authorities, to maintain or renew such licenses, qualifications and permits. We cannot guarantee that we will be able to obtain, maintain or renew the requisite licenses, qualifications and permits, or comply with any new licensing requirements, if new laws or regulations are promulgated or existing laws or regulations are amended, which may subject us to resulting penalties, limitations or costs and, in turn, may have a material and adverse effect on our business, financial condition and results of operations. Further, extensive government regulation and related delays in seeking the requisite licenses, qualifications and permits can significantly delay the introduction of additional services or products, which could materially and adversely affect our competitiveness. Even if we do obtain the requisite licenses, qualifications and permits from the relevant authorities, they may be granted on a limited basis or be subject to modification of our services or products, which could increase our operational costs.

We have experienced negative net operating cash flow in 2017, 2018 and the four months ended April 30, 2019. We maintain a substantial level of bank borrowings and experienced increasing gearing ratios during the Track Record Period and may incur additional indebtedness in the future, and we may not be able to generate sufficient cash to satisfy our existing and future debt obligations and, therefore, materially and adversely affecting our financing condition and results of operations.

Property development usually requires substantial capital investment during the construction period. During the Track Record Period, our liquidity requirements arose principally from the acquisition of land for, and development of, our property development projects. Our property development projects have been generally funded through cash generated from operations including proceeds from the pre-sale of our properties and bank loans. We expect to continue to fund our projects through these sources and will look for additional financing opportunities. We cannot assure you that such funds will be sufficient or that any additional financing can be obtained on satisfactory or commercially reasonable terms, or at all.

We maintain a substantial level of bank borrowings to finance our operations during the Track Record Period. As of December 31, 2016, 2017, 2018 and April 30, 2019, the balance of our total bank borrowings amounted to RMB90.0 million, RMB220.0 million, RMB914.0 million and RMB814.0 million, respectively. Our gearing ratio increased from 9.9% as of December 31, 2016 to 22.8% as of December 31, 2017, and further increased to 54.4% as of December 31, 2018 mainly because we increased bank borrowings. Our gearing ratio increased significantly from 54.4% as of December 31, 2018 to 207.2% as of April 30, 2019, mainly because our total equity significantly decreased from RMB1,678.9 million as of December 31, 2018 to RMB392.9 million as of April 30, 2019 as a result of our deemed distribution of approximately RMB1,338.5 million used for the settlement of the consideration payable by our Company for its acquisition of Tianbao Corporate Management as part of the Reorganization. In 2017, 2018 and the four months ended April 30, 2019, we recorded net cash flow used in operating activities of approximately RMB194.8 million, RMB665.7 million and RMB86.2 million, respectively. Our negative net operating cash flow was principally attributable to the long-term and capital-intensive nature of property development and business expansion during the relevant periods. See "Financial Information — Liquidity and Capital Resources — Cash Flows." We cannot assure you that we will not experience negative net cash flow from our operating activities in the future. A negative net cash flow position for operating activities could impair our ability to make necessary capital expenditures, constrain our operational flexibility and adversely affect our ability to expand our business and enhance our liquidity. For example, if we do not have sufficient net cash flow to fund our future liquidity, pay our trade payables and repay the outstanding debt obligations when they become due, we may need to significantly increase external borrowings or secure other external financing. If adequate funds are not available from external borrowings, whether on satisfactory terms or at all, we may be forced to delay or abandon our development and expansion plans, and our business, prospects, financial condition and results of operations may be materially and adversely affected.

The LAT calculated by the relevant PRC tax authorities may be different from our calculation of LAT liabilities for provision purposes, which may have a material adverse effect on our financial condition.

Pursuant to PRC regulations on LAT, both domestic and foreign investors in property development in China are subject to LAT on income from the sale or transfer of land use rights, properties and their attached facilities, at progressive rates ranging from 30% to 60% on the appreciation of land value. In accordance with a circular issued by the State Administration of Taxation, which became effective on February 1, 2007, LAT obligations are required to be settled with the relevant tax bureaus within a specified time after the completion of a property development project.

We make provisions for LAT by reference to our sales recognized and in accordance with our estimates of the LAT which will be payable under relevant PRC laws and regulations. As we often develop our projects in several phases, deductible items for calculation of LAT, such as land costs, are apportioned among such different phases of development. Provisions for LAT are made on our own estimates based on, among others, our own apportionment of deductible expenses which are subject to final confirmation by the relevant tax authorities upon settlement of the LAT. In 2016, 2017, 2018 and the four months ended April 30, 2019, we made LAT provisions of RMB2.6 million, RMB15.5 million RMB15.2 million and RMB16.8 million, respectively. LAT liabilities are subject to determination by the tax authorities upon the completion of the property development projects and may be different from the amounts that were initially provided for. Any such differences may impact our profit after tax and deferred tax provisions in the periods in which such taxes are finalized with the relevant tax authorities. Our financial condition may be materially and adversely impacted if our LAT liabilities as calculated by the relevant tax authorities are higher than our provisions.

Our construction contracting business is subject to seasonality

Our construction contracting business is subject to seasonality. We attribute this seasonality to the effect that the winter months have on our construction operations in northern China as well as the effect of the Chinese New Year during which most of our projects and constructions are suspended. In recent years, we have been ordered by authorities to temporarily halt certain construction projects during times of severe air pollution. Also, we may experience cost increases or delays when conducting our business operations during particular seasons. Therefore, our operating business, results and financial condition may fluctuate from period to period.

Our risk management and internal control systems may not fully protect us against various risks inherent in our business.

We have established risk management and internal control systems consisting of the relevant organizational framework policies, risk management policies and risk control procedures. These systems are designed to help us manage our risk exposures, primarily our operational risk, legal risk and liquidity risk; however, we may not be successful in implementing our risk management and internal control systems. While we seek to continue to enhance our risk management and internal control systems from time to time, we cannot assure you that our risk management and internal control systems are adequate or effective notwithstanding our efforts. For example, during the Track Record Period, we have entered into unstandard labor contracts with our employees which has been rectified subsequently. Any failure to address any potential risks and internal control deficiencies could materially and adversely affect our business, financial condition and results of operations.

Since our risk management and internal control systems depend on their effective implementation by our employees, we cannot assure you that all of our employees will adhere to such policies and procedures, and the implementation of such policies and procedures may involve human error. We are unable to guarantee that our internal control system will be effective in preventing the occurrence of corruption, bribery or other illegal activities. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, our business, financial condition and results of operations could be materially and adversely affected.

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

Our success depends, to a significant extent, on the services and efforts of senior management and key personnel, particularly Mr. Li, and our ability to continue to attract, retain and motivate key personnel. We compete with other regional construction contracting and property development companies for experienced management and qualified personnel, and the competition for such personnel is intense. There can be no assurance that we will be able to continue to attract and retain the qualified personnel essential for our growth, such as our Executive Directors including Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Zang Lin and Ms. Wang Huijie. The loss of services of any employees holding important positions or possessing industry expertise or experience, including those in charge of project management, risk management, production, sales and marketing, research and development, and accounting and financial management, could have a material and adverse effect on our operations. Under such circumstances, if we are unable to recruit and retain replacement personnel with the equivalent qualifications in time, or at all, our growth and success could be adversely affected. For more information on our senior management, see "Directors and Senior Management."

We may experience failures in our information technology systems.

We rely, to a large extent, on our information technology systems for our daily operations. Our information technology systems are critical to our operations and also support our key operational processes, including project management, procurement and bidding. Our operating efficiency and risk management practices have been enhanced by such information technology systems; however, we cannot assure you that any damage or interruption caused by power outages, computer viruses, hardware and software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information technology systems will not happen in the future. If any serious damage or significant interruption occurs, we may experience system errors and our operations may be disrupted.

The applications for the registration of certain trademarks are still being processed and they may not be able to be registered on a timely basis or at all.

We have engaged professional parties to prepare the registration of certain trademarks. See "Appendix V — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual property rights of our Group." Based on our experience with the registration process of trademarks, the process in China is lengthy and may take up to 24 months while the process in Hong Kong may take up to nine months. Furthermore, these trademarks may not be approved for registration. As far as we are aware, as of the Latest Practicable Date, there were no applications by any other parties for trademarks in the same class relating to our principal scope of business. Our Directors believe that there would not be any material obstacles that would prevent the registration of these trademarks in China or in Hong Kong, as the case may be. Nevertheless, if the applications for registration of these trademarks are not completed on a timely basis or at all, we may not be able to commence legal actions to protect these trademarks from unauthorized use. In such an event, our image and our strategy to develop our brand may be adversely affected.

We may be involved in claims and litigations in our ordinary course of business.

We may be involved in claims and litigations in the ordinary course of our business for, among other things, defective or allegedly defective services or products, personal injuries, damage to or destruction of property, payment disputes, breaches of contract, and project delays. If found liable on such claims, we could face significant monetary damages, as well as find ourselves subject to government sanctions, including fines and the loss of operational licenses, approvals and permits. See "Business — Legal Proceedings and Compliance." We may be subject to lengthy and expensive legal proceedings if the dispute is not resolved through negotiations. Further, we might suffer negative publicity resulting from such claims. If any negative publicity or reputational harm is not effectively remedied or reversed, our existing or potential customers may develop negative views of the safety and quality of our services and products, which may negatively affect our ability to maintain solid relationships with our customers, engage new customers and expand into new markets. We cannot assure you that we will not be subject to future liability claims or that if any such claims were successful, our business prospects, results of operations and reputation would not be materially and adversely affected.

We may be involved in intellectual property disputes and claims of infringement, which may divert our management's attention and harm our reputation and profitability.

We rely upon a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property rights. As of the Latest Practicable Date, we also owned 15 trademarks, 28 patents, one domain names and two copyrights in China. As of the same date, we had seven patent applications and 15 trademark applications under review in China. We also possess proprietary information in connection with our operations, such as information relating to pricing, raw material procurement and construction methods; however, there can be no assurance that the steps we have taken to monitor and protect our intellectual property rights are adequate to prevent or deter infringement or other misappropriation of our intellectual property. Failure to successfully enforce our intellectual property rights would diminish our level of competitiveness and harm our reputation. In addition, we may be required to incur significant costs in monitoring and protecting our intellectual property. In particular, we believe that our trademarks are vital to our brand recognition and the success of our business.

We may be required to commence legal proceedings to enforce our intellectual property rights and protect our proprietary information. Conversely, we may be subject to litigation involving claims by third parties that our products or services infringe their intellectual property rights. Any litigation or claims brought by or against us, whether with or without merit, or whether successful or not, can be both costly and time-consuming and may significantly reduce our resources. An unfavorable determination in any such litigation or proceedings to which we are a party could materially and adversely affect our business, financial condition and results of operations.

Our insurance policies may not be adequate to cover all risks of loss associated with our business operations.

We purchase and maintain insurance policies in accordance with the needs of our business and the requirements set forth in relevant laws and regulations; however, we cannot guarantee that our insurance policies will provide adequate coverage for all of the risks we face in connection with our business operations. Consistent with customary practice in China, we do not carry any business interruption or litigation insurance policies for our operations in China. If we were to incur substantial liabilities that are not covered by our insurance policies or if we suffer protracted periods of disruption or interruption in our business operations, we could incur significant costs and losses that could materially and adversely affect our results of operations. In addition, the occurrence of certain incidents, including earthquakes, fires, adverse weather conditions, war, floods, power outages, equipment failures, and construction accidents, and the consequences, damages and disruptions resulting from any of the foregoing incidents may not be covered adequately, or at all, by our insurance policies. Any uninsured loss or liabilities may cause us to incur substantial costs and the diversion of resources, which could have a material and adverse effect on our operating results.

Negative publicity may adversely affect our business, financial condition, results of operations and prospects.

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

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA

PRC economic, political and social conditions as well as government policies could affect our business.

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

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect our operations. For example, our financial position and results of operations may be adversely affected by the PRC government's control over capital investment or any changes in tax regulations or foreign exchange controls that are applicable to us.

The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing the utilization of market forces in the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. The PRC economy has grown significantly in recent decades, but there can be no assurance that this growth will continue or continue at the same pace. In addition, demand for our services and our business, financial position and results of operations may be adversely affected by (i) political instability or changes in social conditions in China, (ii) changes in laws, regulations or policies or the interpretation of laws, regulations or policies, (iii) measures which may be introduced to control inflation or deflation, (iv) changes in the rate or method of taxation, and (v) imposition of additional restrictions on currency conversion and remittances abroad.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you.

Our business is conducted in Mainland China and is governed by PRC laws and regulations. All of our operating subsidiaries are located in China and are subject to PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions are not legally binding and can only be cited as reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies in applying and enforcing such laws. Since 1979, the PRC government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade, with a view to developing a comprehensive system of commercial law; however, as these laws and regulations are continually evolving in response to changing economic and other conditions, and because of the limited volume of published cases and their non-binding nature, any particular interpretation of PRC laws and regulations may not be definitive. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis, if at all, and some of which may have a retroactive effect. The PRC may not accord equivalent rights, or protection for such rights, to those that you might expect in countries with more sophisticated property development laws and regulations.

Furthermore, the PRC is geographically large and divided into various provinces and municipalities. As such, when PRC laws, rules, regulations and policies apply in different parts in China, there may be varying applications and interpretations. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public. Accordingly, we may not be aware of the existence of new legislation or regulations. There is at present no integrated system in China from which information can be obtained in respect of legal actions, arbitrations or administrative actions. Even if an individual court-by-court search were performed, certain courts may refuse to make their documentation available for inspection. As a result, the legal protections available to you under the PRC legal system may be limited.

The global financial markets, and therefore PRC markets, have experienced significant slowdown and volatility during the past few years and any continued deterioration may adversely affect our business and results of operations.

The economic slowdown and turmoil in the global financial markets starting in the second half of 2008 have resulted in a general tightening of credit, an increased level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. The global economic slowdown has also affected the PRC property market by, among other things, reducing the demand for commercial and residential properties, resulting in the reduction of property prices; adversely impacting the purchasing power of potential property purchasers, which may further impact the general demand for properties and cause a further erosion of their selling prices; and negatively impacting the ability of property developers and potential property purchasers to obtain financing.

More recently, global market and economic conditions were adversely affected by the credit crisis in Europe, the credit rating downgrade of the United States and heightened market volatility in major stock markets. In Asia and other emerging markets, some countries are expecting increasing inflationary pressure as a consequence of liberal monetary policy or excessive foreign fund inflow, or both. In the Middle East, Eastern Europe and Africa, political unrest in various countries has resulted in economic instability and uncertainty. To control inflation in the past, the PRC government has imposed control on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such austerity measures can lead to a slowdown in the economic growth. The PRC economy grew at a slower pace in 2015, 2016, 2017 and 2018 than in previous years, with a yearly real GDP growth of 6.9%, 6.7%, 6.9% and 6.5%, respectively. Recently, there have been growing concerns about the volatility of the Chinese economy and the adjustments of Chinese fiscal policies. For example, after a rapid surge from the second half of 2014 to early June 2015, the Chinese domestic equity markets experienced sharp declines and severe volatility beginning from June 13, 2015. The Chinese government has taken monetary and regulatory measures to stabilize the market, including measures affecting market liquidity, new equity offering pipelines and trading activities of certain market participants. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely impacted, and may continue to adversely impact, home owners and potential property purchasers, which may lead to a decline in the general demand for our properties and erosion of their selling prices. Any further tightening of liquidity in the global financial markets may in the future negatively affect our liquidity. If the global economic and financial market slowdown and volatility continue or become more severe than currently anticipated, or if the PRC economy and financial markets continue to slow down, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Fluctuations in the value of the Renminbi and governmental control of foreign currency conversion may limit our ability to use capital effectively.

All of our revenue and expenditures are denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or U.S. Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend distributed by us. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rates and achieve certain exchange rate targets and policy goals. In August 2015, PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. Dollar, requiring the market-makers who submit for reference rates to consider the previous day's closing spot rate, foreign exchange demand and supply as well as changes in major currency rates. The value of the Renminbi depreciated against the U.S. Dollar approximately 1.4% in 2015 and 6.2% in 2016, but appreciated against the U.S. Dollar 1.6% in 2017. The value of Renminbi then depreciated approximately 2.0% against the U.S. Dollar in 2018. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against Hong Kong Dollar or U.S. Dollar in the future.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that we will have sufficient foreign exchange to meet our foreign exchange needs. Under China's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. But we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange businesses. Foreign exchange transactions under the capital account, however, must be directly reviewed and handled by banks in accordance with the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**Circular 13**"), and the SAFE and its branches must perform indirect regulation over the foreign exchange registration via banks. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain adequate foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

Our investments in China are subject to the PRC government's control over foreign investment in the property sector.

The PRC government has imposed restrictions on foreign investment in the property sector to curtail the perceived over-heating of the property sector by, among other things, increasing the capital and other requirements for establishing foreign-invested property development enterprises, tightening foreign exchange control on cross-border investment and financing activities and imposing restrictions on purchases of properties in China by foreign persons. Restrictions imposed by the PRC government on foreign investment in the property sector may affect our ability to make further investments in our PRC subsidiaries and as a result may limit our business growth and have a material and adverse effect on our business, results of operations and financial condition.

The implementation of the EIT Law (the PRC Enterprise Income Tax Law) (《中華人民共和國企業所得稅法》) may significantly increase our income tax expenses.

On March 16, 2007, the PRC National People's Congress, Chinese national legislature, adopted a new tax law, the EIT Law, which became effective on January 1, 2008, was last amended and then became effective on December 29, 2018. On December 6, 2007, the State Council issued the Implementation Regulations of the PRC Enterprise Income Tax Law (the "**Implementation Regulations**"), which also became effective on January 1, 2008.

Under the EIT Law and Implementation Regulations, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in China, a withholding tax at the rate of 10% will be applicable to any dividends paid to us by our PRC subsidiaries, unless we are entitled to reduction or elimination of such tax, including by tax treaty. According to the Arrangement between Mainland China and Hong Kong for Avoidance of Double Taxation and Prevention of Tax Evasion, promulgated by the SAT on August 21, 2006, dividends paid by a foreign-invested enterprise in China to a shareholder incorporated in Hong Kong will be subject to withholding tax at a rate of 5% if the Hong Kong shareholder directly holds a 25% or more interest in China enterprise. We cannot assure you, however, that the current tax treaties in place between the PRC and Hong Kong will remain in place or that we will continue to be able to enjoy a reduced withholding tax on dividends we receive from our PRC subsidiaries.

We may be deemed a PRC resident enterprise under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and will generally be subject to the uniform 25% EIT rate as to their global income. Under the Implementation Regulations for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise.

Substantially all of our management is currently based in China and may remain in China. In April 2009, the PRC State Administration of Taxation promulgated the Circular of Taxation on Issues Concerning the Identification of Chinese-Controlled Overseas Registered Enterprises as Resident Enterprises in Accordance with the Standards of the Actual Management Organization to clarify the definition of "de facto management bodies" for enterprises incorporated overseas with controlling shareholders being onshore enterprises or enterprise groups in China. It remains unclear how the tax authorities will explain the regulation. Therefore, we may be treated as a PRC resident enterprise for EIT purposes. The tax consequences of such treatment are currently unclear, as they will depend on how PRC finance and tax authorities apply or enforce the EIT Law and the Implementation Regulations.

We face uncertainty relating to the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) ("SAT Circular No. 7") issued by the PRC State Administration of Taxation.

On February 3, 2015, the PRC State Administration of Taxation issued SAT Circular No. 7. SAT Circular No. 7 provides comprehensive guidelines relating to indirect transfers by a non-PRC resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**"). For example, SAT No. Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets when a non-PRC resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets. The PRC tax authorities may disregard the existence of such overseas holding company and consider the transaction to be a direct transfer of PRC Taxable Assets if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and lacks any other reasonable commercial purpose. Although SAT Circular No. 7 contains certain exemptions (including (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from PRC EIT under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under SAT Circular No. 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of the PRC involving PRC Taxable Assets, if such transaction were determined by the tax authorities to lack reasonable commercial purpose. As a result, we may be subject to tax under SAT Circular No. 7 and may be required to expend valuable resources to comply with SAT Circular No. 7 or to establish that we should not be taxed under SAT Circular No. 7, which may have a material adverse effect on our business, financial condition, results of operations and growth prospects.

Failure by our Shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from being able to distribute profits and could expose us and our PRC resident Shareholders to liability under the PRC laws.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular No. 37**"), which was promulgated by SAFE and became effective on July 4, 2014, requires a PRC individual resident ("**PRC Resident**") to register with a local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "**Offshore SPV**") that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Pursuant to Circular 13, the aforesaid registration shall be reviewed and handled by the banks, and the SAFE and its branches shall perform indirect regulation over the foreign exchange registration via banks. Following the initial registration, the PRC Resident is also required to make registration for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV's registered capital, share transfer or swap, merger or division. We cannot assure that all of our shareholders who are PRC Residents will file all applicable registrations or update previously filed registrations as required by these SAFE regulations. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV's Chinese subsidiary to distribute dividends to its overseas parent.

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

Our investment properties are held by us under land use rights granted by the PRC government. Under PRC laws, the maximum term of the land use rights ranges from 40 years to 70 years depending on the land use purpose. Upon expiration, the land use rights will revert to the PRC government unless the holder of the land use rights applies for and is granted an extension of the term of the land use rights.

These land use rights do not have automatic rights of renewal and holders of land use rights are required to apply for extensions of the land use rights one year prior to the expiration of their terms. If an application for extension is granted (and such grant would usually be given by the PRC government unless the land in issue is to be taken back for the purpose of public interests), the holder of the land use rights will be required to, among other things, pay a land grant premium. If no application is made, or if such application is not granted, the properties under the land use rights will be reverted to the PRC government without any compensation. As none of the land use rights granted by the PRC government which are similar to those granted for our investment properties has, as of the Latest Practicable Date, run its full term, there is no precedent to provide an indication of the amount of the land grant premium which we will have to pay and any additional conditions which may be imposed if we decide to seek an extension of the land use rights for our investment properties upon the expiry thereof.

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

Natural disasters, acts of war, occurrence of epidemics, and other disasters could affect our business and the national and regional economies in China.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu or severe acute respiratory syndrome ("**SARS**"), the Ebola virus and other natural disasters which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. Some regions in China, including certain cities where we operate, are under the threat of flood, earthquake, fire, drought or epidemics. Our business, financial position and results of operations may be materially and adversely affected if natural disasters or other such events occur.

For instance, a serious earthquake and its successive aftershocks hit Sichuan province in May 2008, resulting in tremendous loss of life and injury, as well as destruction of assets in the region. Furthermore, the PRC reported a number of cases of SARS in 2003. Since its outbreak in 2004, there have been reports on occurrences of avian flu in various parts of the PRC, including several confirmed human cases and deaths. Any future outbreak of SARS, avian flu or other similar adverse epidemics may, among other things, significantly disrupt our business. An outbreak of infectious disease may also severely restrict the level of economic activity in affected areas, which in turn may have a material and adverse effect on our business, financial position and results of operations.

We cannot assure you as to whether and when we will pay dividends in the future.

We did not declare any dividends during the Track Record Period. We have no fixed dividend policy and, subject to compliance with the relevant laws of Cayman Islands and the Articles, the Board has discretion in determining whether to recommend a declaration of any dividend for any period, and the amount of dividend to be paid. We cannot assure you as to whether and when we will pay dividends in the future. Any future declarations of dividends will be proposed by our Board, and the amount of any dividend will depend on various factors such as our results of operations, financial condition and future business prospects. See "Financial Information — Dividend and Distributable Reserves."

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

We are a holding company incorporated in the Cayman Islands and we conduct our business operations primarily through our subsidiaries in China. We will be financially dependent on dividends received from these entities. Therefore, we may face financial difficulties should such entities incur debt or losses affecting their ability to pay us dividends or make other distributions to us.

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

Furthermore, the PRC subsidiaries may be restricted from making distributions to us due to restrictive covenants contained in agreements, such as bank credit facilities, to which they may be subject. Any of the above factors may affect our ability to pay dividends to our Shareholders and to service our indebtedness, which could materially and adversely affect our ability to conduct business.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares before the Listing and the liquidity and market price of our Shares following the Listing may be volatile.

Before the Listing, there has been no public market for our Shares. The Offer Price for our Shares will be the result of negotiations between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and us, which may differ from the market prices of our Shares after the Listing. Following the completion of the Global Offering, the Stock Exchange will be the only market on which our Shares are listed. However, there is no assurance that the Listing will result in the development of an active and liquid public trading market for our Shares following the Listing. Following the Global Offering, our Shares may be traded in the public market below the Offer Price. The volume and price at which our Shares will be traded are affected by a number of factors, including (i) changes in senior management; (ii) changes in laws and regulations in China; (iii) general economic conditions in China; and (iv) market perception of our prospects. We cannot assure you that the market price of our Shares will not decline below the Offer Price.

A sale or the expectation of a sale of Shares by our existing Shareholders may have a material adverse effect on our Share price.

Future sale of a substantial number of our Shares by our existing Shareholders after the Listing could materially and adversely affect market prices of our Shares prevailing from time to time. Future sale of substantial amounts of our Shares, including future offerings, or the perception that such sale are likely to occur may also materially and adversely affect the prices of our Shares and our ability to raise capital.

Immediately after the Listing, only a limited number of the Shares currently outstanding will be available for sale as our Controlling Shareholders are subject to a lock-up period. See "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Undertakings Pursuant to the Hong Kong Underwriting Agreement — Undertakings by the Controlling Shareholders." While we are not aware of any intentions of our current Shareholders to dispose of significant amounts of their Shares upon lapse of the lock-up periods, we are not in a position to give any assurance that such disposal will not occur. Future sale of a substantial number of our Shares, or the perception that such sale may occur, could materially and adversely affect the market prices of our Shares and our ability to raise equity capital in the future.

The price of our Shares may fall before trading begins due to the time lag between pricing and trading of the Offer Shares.

The Offer Price will be determined on the Price Determination Date. The Offer Shares will not commence trading on the Stock Exchange until the Listing Date. Investors may not be able to sell or otherwise deal in our Shares during this period between the Price Determination Date and the Listing Date. Accordingly, holders of our Shares bear the risk that the prices of our Shares could fall before trading begins and may be lower than the Offer Price due to adverse market conditions or other adverse developments which may occur between the Price Determination Date and the Listing Date.

There is a possibility that the Offer Price will be set after making a Downward Offer Price Adjustment.

We have the flexibility to make a Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK$2.16 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Global Offering will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK$2.16, the estimated net proceeds we will receive from the Global Offering will be reduced to HK$347.8 million (assuming the Over-allotment Option is not exercised) and such reduced proceeds will be used as described in the "Future Plans and Use of Proceeds — Use of Proceeds".

The Controlling Shareholders have substantial control over us and their interests may not be aligned with the interests of the other Shareholders.

Immediately following the Completion, the Controlling Shareholders will continue to have substantial control over us. The Controlling Shareholders, by virtue of the controlling beneficial ownership of our share capital, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. The interests of the Controlling Shareholders may differ from the interests of other Shareholders and they are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged and harmed.

You may face difficulties in protecting your interests under the laws of the Cayman Islands.

We are organized under the laws of the Cayman Islands. As a result, a Shareholder may not be able to enforce a judgment against us or some or all of the Directors and executive officers outside the Cayman Islands. It may not be possible for a Shareholder to effect service of process upon the Directors and executive officers within the Shareholder's country of residence or to enforce against the Directors and executive officers judgments of courts of the Shareholder's country of residence based on civil liabilities under that country's securities laws. There can be no assurance that a Shareholder will be able to enforce any judgments in civil and commercial matters against the Directors or executive officers who are residents of countries other than those in which judgment is made.

All of our executive Directors and executive officers reside within Mainland China, and substantially all of the assets of those persons and substantially all of our assets are located within Mainland China. Therefore, it may be difficult for investors to effect service of process upon us or those persons inside Mainland China or to enforce against us or them in China any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Certain facts and statistics in this prospectus relating to the PRC economy and the PRC property development and construction industries may not be fully reliable.

Certain facts and statistics in this prospectus relating to the PRC economy and the PRC property development and construction industries have been derived from various official government publications that we generally believe to be reliable. While the Directors have taken reasonable care in extracting and reproducing such information, it has not been prepared or independently verified by us or the Underwriters or any of our or their respective affiliates or advisors and, therefore, no representation is made as to the accuracy of these facts and statistics, which may not be consistent with other information compiled within or outside China. Due to possibly flawed or ineffective collection methods or discrepancies between government-published information and other market sources, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, there can be no assurance that such facts and statistics are stated or compiled by the government 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 facts and statistics from government official publications with respect to China, the PRC economy and the PRC property development and construction industries contained in this prospectus.

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Our Group's principal business and operations are located, managed and conducted in China through our PRC operating subsidiaries: (i) our entire revenue is generated from the PRC; and (ii) most of our executive Directors are not ordinarily resident in Hong Kong and will continue to be based in China after Listing. As a result, our Company does not, and will not, in the foreseeable future, have a sufficient management presence in Hong Kong as required under Rule 8.12 of the Listing Rules. Further, it would be impractical and commercially unnecessary for our Company to appoint an additional executive Director who is ordinarily resident in Hong Kong or to relocate its existing PRC based executive Directors to Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the condition that the following measures and arrangements are made for maintaining regular and effective communication with the Stock Exchange:

(i) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorized representatives of our Company are Mr. Li Yaruixin (李亞睿鑫), our executive Director, and Mr. Lei Kin Keong, our company secretary, who is an ordinary resident in Hong Kong;

(ii) any meeting between the Stock Exchange and our Directors will be arranged through the authorized representatives or the compliance advisor of our Company or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any changes in our authorized representatives or our compliance advisor;

(iii) each of the authorized representatives of our Company will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email. Each of the authorized representatives of our Company is authorized to communicate on behalf of our Company with the Stock Exchange;

(iv) each of the authorized representatives of our Company has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. To enhance the communication between the Stock Exchange, the authorized representatives and our Directors, we have implemented a policy that (a) each Director will provide his/her respective office phone number, mobile phone number, facsimile number and email address to the authorized representatives and (b) each Director and authorized representative will provide, if available, his/her respective office phone number, mobile phone number, facsimile number and email address to the Stock Exchange. In the event that a Director expects to travel or is out of the office, he/she will provide the phone number of the place of his/her accommodation or other means of communication to our authorized representatives;

(v) each of the Directors has provided his/her current contact details to the Stock Exchange;

(vi) our Directors, who are not ordinarily resident in Hong Kong, have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and are able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice;

(vii) we have, in compliance with Rule 3A.19 of the Listing Rules, appointed Guotai Junan Capital Limited as our compliance advisor who will, among other things, in addition to the two authorized representatives of our Company, act as our additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the Listing Date. Guotai Junan Capital Limited will have full access at all times to the two authorized representatives of our Company and our Directors; and

(viii) we will also retain legal advisors to advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after Listing.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules provides that, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(i) length of employment with the issuer and other issuers and the roles he/she played;

(ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and The Codes on Takeovers and Mergers and Share Buy-backs;

(iii) relevant training taken and/or to be taken in addition to the minimum requirements under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Du Hang as one of the joint company secretaries. He has extensive experience in board and corporate management matters but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to fulfill the requirements of the Listing Rules. Therefore, we have appointed Mr. Lei Kin Keong, a member of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators in the United Kingdom, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. Mr. Lei Kin Keong will provide assistance to Mr. Du Hang for an initial period of three years from the Listing Date to enable Mr. Du Hang to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Mr. Lei Kin Keong will work closely with Mr. Du Hang to jointly discharge duties and responsibilities as company secretaries and assist Mr. Du Hang in acquiring the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. Mr. Du Hang will also be assisted by (a) the compliance advisor of our Company for the first full financial year from the Listing Date, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (b) the Hong Kong legal advisors of our Company, particularly in relation to Hong Kong corporate governance practices and regulatory compliance, on matters concerning the Company's ongoing compliance obligations under the Listing Rules and the applicable laws and regulations as and when required. In addition, Mr. Du Hang will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of an issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date, and is granted on the condition that we engage Mr. Lei Kin Keong, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Mr. Du Hang in discharging his duties as a joint company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules.

Before the expiration of the initial three-year period, the qualifications of Mr. Du Hang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. In the event Mr. Du Hang fulfills all the requirements stipulated at the end of the initial three-year period, the above joint company secretaries would no longer be necessary for our Company.

WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES

Our Group has certain transactions with connected persons that are expected to continue after Listing, which will constitute partially-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. We expect these partially-exempt continuing connected transactions to be carried out on a continuing basis, and our Directors consider that strict compliance with the applicable requirement under the Listing Rules would be impractical, unduly burdensome and would impose unnecessary administrative costs on our Company.

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements in respect of such partially-exempt continuing connected transactions under Chapter 14A of the Listing Rules. For further details regarding such waiver, please see "Continuing Connected Transactions."

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 (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. 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 herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong 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 the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

Neither the delivery of this prospectus nor any subscription made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

See "Underwriting" in this prospectus for further information about the Underwriters and the underwriting arrangements.

DETERMINATION OF THE OFFER PRICE

The Offer Price is expected to be determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, November 4, 2019 and, in any event, not later than Tuesday, November 5, 2019 (unless otherwise determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company. If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Tuesday, November 5, 2019, the Global Offering will not become unconditional and will lapse immediately.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in "How to Apply for Hong Kong Offer Shares" and on the relevant Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in "Structure and Conditions of the Global Offering" in this prospectus.

SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than 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. 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.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

Dealings in the Shares on the Stock Exchange are expected to commence on November 11, 2019. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

All necessary arrangements have been made to enable the securities to be admitted into CCASS.

OVER-ALLOTMENT AND STABILIZATION

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

DOWNWARD OFFER PRICE ADJUSTMENT

We have reserved the right to make a Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make a Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Global Offering is to proceed.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the 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 the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND HONG KONG STAMP DUTY

Our principal share register will be maintained in the Cayman Islands by our Principal Share Registrar, Estera Trust (Cayman) Limited, in the Cayman Islands, and our Hong Kong branch share register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the Hong Kong branch share register of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong branch share register will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF SHARES

Our Company has instructed our Hong Kong Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any Shares in the name of any particular holder unless and until the holder delivers a signed form to our Hong Kong Share Registrar in respect of those Shares bearing statements to the effect that the holder:

- agrees with our Company and each of our Shareholders, and our Company agrees with each Shareholder, to observe and comply with the Cayman Companies Law and our Memorandum and Articles of Association;
- agrees with our Company and each of our Shareholders that the Shares are freely transferable by the holders thereof; and
- authorizes our Company to enter into a contract on his or her behalf with each of our Directors, managers and officers whereby such Directors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Memorandum and Articles of Association.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasized that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB1.00 to HK$1.1094, and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.8415 to US$1.00, respectively, being the exchange rate prevailing on October 21, 2019 published by the PBOC for foreign exchange transactions.

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

For further information on our Directors, please refer to the section headed "Directors and Senior Management" of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Li Baotian (李保田先生)	No. 04, Fenzi Hutong Yang Shi Street, Shuangta District Zhuozhou County Hebei Province the PRC	Chinese
Ms. Shen Lifeng (申麗鳳女士)	Room B, 23/F, The H Bonaire 68 Ap Lei Chau Main Street Hong Kong	Chinese
Ms. Wang Xinling (王新玲女士)	No. 601, Unit 1, No. 01 Building Phase 2 Tianlong Subdistrict Huayang Road Zhuozhou County Hebei Province the PRC	Chinese
Mr. Li Yaruixin (李亞睿鑫先生)	No. 1603, Unit 1, No. 02 Building Kaixuanmen Plot Zhuozhou County Hebei Province the PRC	Chinese
Mr. Zang Lin (臧凛先生)	No. 601, Unit 3 No. 07 Building, Tianbao New Town Plot Zhangbei Xian Zhangjiakou County Hebei Province the PRC	Chinese
Ms. Wang Huijie (王慧杰女士)	No. 203, Unit 3, No. 02 Building Rose Jia Yuan Zhuozhou County Hebei Province the PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Li Xu (李煦先生)	Flat H, 8/F, Manhattan Heights 28 New Praya Hong Kong	Chinese
Mr. Liu Kaixiang (劉凱湘先生)	No. 0801, Unit 2, No. 10 Building Wanliu Yangchun Guanghua Xiangshu Yuan Haidian District Beijing the PRC	Chinese
Mr. Li Qingxu (李清旭先生)	No. B1D, Unit 4, No. 03 Building Guanshan Yuan Century City Haidian District Beijing the PRC	Chinese

Further information is disclosed in the section headed "Directors and Senior Management" of this prospectus.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**ABCI Capital Limited** 11/F., Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Guotai Junan Capital Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Joint Global Coordinators	**ABCI Capital Limited** 11/F., Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong

Joint Bookrunners	**ABCI Capital Limited** 11/F., Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	BOCOM International Securities Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Lead Managers	**ABCI Securities Company Limited** 10/F., Agricultural Bank of China Tower 50 Connaught Road Central Hong Kong
	Guotai Junan Securities (Hong Kong) Limited 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	BOCOM International Securities Limited 9th Floor, Man Yee Building 68 Des Voeux Road Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	ZJKF Securities Investment (Hong Kong) Limited Unit 21C, Level 12, Infinitus Plaza 199 Des Voeux Road Central Sheung Wan Hong Kong

CRIC Securities Company Limited
Room 2007&2403, Great Eagle Centre
23 Harbour Road
Wan Chai
Hong Kong

Zhongtai International Securities Limited
19 Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Yue Xiu Securities Company Limited
13/F, YueXiu Building
160 Lockhart Road
Wanchai
Hong Kong

HTF Securities Limited
Unit 1807, 18/F., Office Tower, Convention Plaza
1 Harbour Road
Wan Chai
Hong Kong

Legal advisors to our Company

As to Hong Kong law:
Anthony Siu & Co., Solicitors & Notaries in Association with Jia Yuan Law Office
17/F, No. 238 Des Voeux Road Central
Sheung Wan
Hong Kong

As to PRC law:
Jia Yuan Law Offices
F408 Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing
the PRC

	As to Cayman Islands law: **Appleby** 2206–19 Jardine House 1 Connaught Place Central Hong Kong
Legal advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong law:* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong
	As to PRC law: **Commerce & Finance Law Offices** 6F, NCI Tower A12 Jianguomenwai Avenue Beijing the PRC
Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* 22/F, CITIC Tower 1 Tim Mei Avenue, Central Hong Kong
Compliance Adviser	**Guotai Junan Capital Limited** 27/F., Low Block, Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Shanghai, 200232 China
Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7th Floor, One Taikoo Place 979 King's Road Hong Kong

Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

Registered Office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman, KY1-1108 Cayman Islands
Headquarters and Principal Place of business in China	No. 33, Guanyun East Road Zhuozhou County Hebei Province the PRC
Place of business in Hong Kong registered under Part 16 of the Companies Ordinance	40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	**www.chinatbjt.com** *(the information contained on the website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Du Hang (杜航先生) No. 131, Xi Gao Village Zhuozhou County Hebei Province the PRC Lei Kin Keong (李健強先生) *(An associate of the Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators in the United Kingdom)* 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Authorized Representatives	Mr. Li Yaruixin (李亞睿鑫先生) No. 1603, Unit 1, No. 02 Building Kaixuanmen Plot Zhuozhou County Hebei Province the PRC

	Lei Kin Keong (李健強先生) *(An associate of the Hong Kong Institute of Certified Public Accountants, an associate of The Hong Kong Institute of Chartered Secretaries and an associate of The Institute of Chartered Secretaries and Administrators in the United Kingdom)* 40th Floor, Sunlight Tower No. 248 Queen's Road East Wanchai Hong Kong
Audit Committee	Mr. Li Xu (李煦先生) *(Chairman)* Mr. Liu Kaixiang (劉凱湘先生) Mr. Li Qingxu (李清旭先生)
Remuneration Committee	Mr. Li Qingxu (李清旭先生) *(Chairman)* Mr. Li Xu (李煦先生) Mr. Liu Kaixiang (劉凱湘先生) Ms. Wang Xinling (王新玲女士) Mr. Li Yaruixin (李亞睿鑫先生)
Nomination Committee	Mr. Li Baotian (李保田先生) *(Chairman)* Mr. Li Xu (李煦先生) Mr. Liu Kaixiang (劉凱湘先生) Ms. Shen Lifeng (申麗鳳女士) Mr. Li Qingxu (李清旭先生)
Principal Share Registrar and Transfer Office	**Estera Trust (Cayman) Limited** Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal Bank	China Construction Bank Co., Ltd. Zhangzhou Wutan Branch No. 147, Fanyang Middle Road Zhuozhou City the PRC

The information presented in this section is derived from the Frost and Sullivan Report, as well as various official government publications and publicly and privately available sources. The information derived from the Frost and Sullivan Report reflects estimates of the market conditions based on information from various sources. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. We, the Joint Sponsors, the Joint Global Coordinators. the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or their respective affiliates or advisors or any other party (excluding Frost & Sullivan) involved in the Global Offering have not independently verified, and make no representation as to, the accuracy of the information from official government or other third-party sources. Accordingly, the official government and other third-party sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that after due and reasonable consideration, there is no adverse change in the market information since the date of the Frost and Sullivan Report up to the date of this prospectus which may qualify, conflict or have a material input on the information in this section.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

We have commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the PRC property development and construction market. The Frost & Sullivan is a global consulting company and an Independent Third Party. Founded in 1961, it has 40 offices worldwide with over 1,800 industry consultants, market research analysts and economists. We have agreed to pay a total of RMB700,000 for the preparation of the Frost & Sullivan Report, and our Directors consider that such fee reflects market rates. Our Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report. Figures and statistics provided in this prospectus and attributed to the Frost & Sullivan have been extracted from the Frost & Sullivan Report and published with the consent of the Frost & Sullivan.

In compiling and preparing the Frost & Sullivan Report, the Frost & Sullivan conducted primary research including telephone and face-to-face interviews with industry participants. Also, secondary research, which involved reviewing industry publications, annual reports and data based on its own database, was conducted. The Frost & Sullivan presented the figures for various market size projections from historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. The Frost & Sullivan assumed that (i) the social, economic and political environment in China is expected to remain stable in the forecast period, and (ii) key industry drivers are likely to continue to affect the market over the forecast period from 2018 to 2023.

OVERVIEW OF MACRO ECONOMY IN CHINA

Over the past few years, China's nominal GDP had increased from RMB59.5 trillion to RMB90.0 trillion, representing a CAGR of 8.6%. Meanwhile, China's nominal GDP per capita grew at a CAGR of 8.3% from RMB43,320 in 2013 to RMB64,644 in 2018. The real GDP in China increased from RMB60.9 trillion in 2013 to RMB84.9 trillion in 2018, representing a CAGR of 6.9%.The table below sets out selected economic statistics of China for the periods indicated.

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2013–2018 CAGR** *(%)*
Population *(million)*	1,360.7	1,367.8	1,374.6	1,382.7	1,390.1	1,395.4	0.5
Nominal GDP *(RMB trillion)*	59.5	64.4	68.9	74.4	82.7	90.0	8.6
Nominal GDP per capita *(RMB)*	43,320	46,629	49,351	53,980	59,660	64,644	8.3
Real GDP growth rate *(%)*	7.8	7.3	6.9	6.7	6.9	6.5	7.0*
Fixed asset investment *(RMB trillion)*	44.6	51.2	56.2	60.6	64.1	64.6	7.7
Urbanization rate *(%)*	53.7	54.8	56.1	57.3	58.5	59.6	56.7*
Per capita disposable income of urban residents *(RMB)*	26,955	29,381	31,195	33,616	36,396	39,251	7.8

Source: National Bureau of Statistics of China, International Monetary Fund, Frost & Sullivan
Note: * is the arithmetic mean of 2013 to 2018.

OVERVIEW OF MACRO ECONOMY IN THE HEBEI PROVINCE

The nominal GDP in Hebei Province increased from RMB2,844.3 billion in 2013 to RMB3,601.0 billion in 2018, representing an CAGR of 4.8%, while the nominal GDP per capita in Hebei Province grew from RMB38,909.0 in 2013 to RMB47,772.0 in 2018, representing a CAGR of 4.2%. Driven by the sustainable developing economy, the per capita disposable income of urban residents in Hebei Province increased from RMB22,227 in 2013 to RMB32,997 in 2018, representing a CAGR of 8.2%. The table below sets out selected economic statistics of Hebei Province for the periods indicated.

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2013–2018 CAGR** *(%)*
Population *(million)*	73.3	73.8	74.3	74.7	75.2	75.6	0.6
Nominal GDP *(RMB billion)*	2,844.3	2,942.1	2,980.6	3,207.0	3,596.4	3,601.0	4.8
Nominal GDP per capita *(RMB)*	38,909.0	39,984.0	40,225.0	43,062.0	47,827.5	47,772.0	4.2
Fixed asset investment *(RMB billion)*	2,319.4	2,667.2	2,944.8	3,175.0	3,340.7	3,531.1	8.8
Urbanization rate *(%)*	48.1	49.3	51.3	53.3	55.0	56.4	52.2*
Per capita disposable income of urban residents *(RMB)*	22,227	24,141	26,152	28,249	30,548	32,997	8.2

Source: National Bureau of Statistics of China, Hebei Provincial Bureau of Statistics, Frost & Sullivan
Note: * is the arithmetic mean of the urbanization rate of 2013 to 2018.

OVERVIEW OF MACRO ECONOMY IN BAODING

Zhuozhou is a county-level city in Hebei province, bordering Beijing to the north. It is administered by Baoding prefecture-level city. The nominal GDP in Baoding increased from RMB265.1 billion in 2013 to RMB307.1 billion in 2018, representing a CAGR of 3.0%. In the meantime, the nominal GDP per capita in Baoding grew from RMB25,982.0 in 2013 to RMB32,810.0 in 2018, representing a CAGR of 4.8%. Driven by the development of economy, the per capita disposable income of urban residents in Baoding increased from RMB19,757 in 2013 to RMB30,283 in 2018, representing a CAGR of 8.9%. The table below sets out selected economic statistics of Baoding for the periods indicated.

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2013–2018 CAGR** *(%)*
Population *(million)*	10.2	10.3	10.3	10.4	10.5	9.4	-1.7
Nominal GDP *(RMB billion)*	265.1	275.8	300.0	311.0	322.7	307.1	3.0
Nominal GDP per capita *(RMB)*	25,982.0	26,873.0	29,067.0	29,945.0	30,891.0	32,810.0	4.8
Fixed asset investment *(RMB billion)*	200.0	225.1	249.9	267.2	262.6	277.6	6.8
Urbanization rate *(%)*	42.9	44.2	46.7	49.0	50.9	53.5	47.9*
Per capita disposable income of urban residents *(RMB)*	19,757	21,673	23,663	25,680	27,859	30,283	8.9

Source: Baoding Municipal Bureau of Statistics, Frost & Sullivan
Note: * is the arithmetic mean of the urbanization rate of 2013 to 2018.

OVERVIEW OF MACRO ECONOMY IN ZHANGJIAKOU

The nominal GDP in Zhangjiakou increased from RMB131.7 billion in 2013 to RMB153.7 billion in 2018, representing a CAGR of 3.1%. Meanwhile, the nominal GDP per capita in Zhangjiakou grew from RMB29,907.0 in 2013 to RMB34,661.0 in 2018, representing a CAGR of 3.0%. The per capita disposable income of urban residents in Zhangjiakou increased from RMB20,525 in 2013 to RMB31,193 in 2018, representing a CAGR of 8.7%. The table below sets out selected economic statistics of Zhangjiakou for the periods indicated.

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2013–2018 CAGR** *(%)*
Population *(thousand)*	4,413.3	4,420.9	4,421.7	4,425.1	4,433.0	4,434.0	0.1
Nominal GDP *(RMB billion)*	131.7	135.9	136.4	146.1	155.6	153.7	3.1
Nominal GDP per capita *(RMB)*	29,907.0	30,756.0	30,840.0	33,030.0	35,123.0	34,661.0	3.0
Fixed asset investment *(RMB billion)*	129.3	142.3	155.4	163.1	163.9	171.6	5.8
Urbanization rate *(%)*	49.0	50.5	52.2	54.2	55.9	57.2	53.2*
Per capita disposable income of urban residents *(RMB)*	20,525	21,651	23,841	26,069	28,512	31,193	8.7

Source: Zhangjiakou Municipal Bureau of Statistics, Frost & Sullivan
Note: * is the arithmetic mean of the urbanization rate of 2013 to 2018.

THE PROPERTY DEVELOPMENT INDUSTRY

Definition

Property industry refers to all economic activities related to a land and buildings constructed on the land. Activities include real estate development, construction, operation, management, maintenance, decoration and related services.

Residential property refers to buildings used specifically for residence, including common residence, high-end apartments, single-family home, townhouse, etc.

Non-residential property refers to all buildings which cannot be classified into residential real estate, which can be further classified into four categories, industrial property, commercial property, non-profit property, and infrastructure.

Overview of the Property Development Industry in China

From 2013 to 2018, total investments in property development in China has grown from RMB8,601.3 billion to RMB12,026.4 billion, representing a CAGR of 6.9%. In 2015, influenced by the destocking policy, the growth rate of total investments in property development witnessed a notable decrease in 2015. However, total investments for property development have soon recovered during 2016 and 2018, and the recovery was mainly attributed by stable demand for housing property and increasing costs for land acquisition, raw materials and labor.

Key Market Drivers of Property Development Industry in China

Development of economy and increasing residents' purchasing power in China

As the PRC has become one of the fastest growing economies in the world, the PRC property development industry also witnessed a notable growth in the past. From 2013 to 2018, for instance, nominal GDP in China grew at a CAGR of 8.6% from RMB59.5 trillion to RMB90.0 trillion, while total investments in property development in China grew at a CAGR of 6.9% over the same period. Moreover, the residents' purchasing power in China has also been increasing. From 2013 to 2018, disposable income per capita in China grew from RMB18,311 to RMB28,228, representing a CAGR of 9.0%. As housing property has always been the focus of personal consumption and investment, its market demand is also increasing as a result of the rising income level.

Rapid urbanization and growing demand for property in lower tier cities

From 2013 to 2018, urban population in China increased from 1,360.7 million to 1,395.4 million, and the urbanization rate of China reached 59.6% by the end of 2018. With the acceleration of urbanization process in China, the property development market still has enormous potential for growth. Moreover, driven by growing individuals with strong purchasing power and rising property investments in lower tier cities, the demand for new housing properties and commercial properties in those cities is still high, thus leading the growth of property development industry.

Guidance from national and local governments

In order to impel the sound development of the property development market, the authorities timely adjust policies to balance supply and demand. From 2014 to the late 2016, guidance and policies on property development industry have been focusing on stimulating consumption and destocking by, for examples, series of national initiatives including the Beijing-Tianjin-Hebei Region integration strategy and shantytown development, as well as local stimulus measures including tax reduction, removals of housing purchase restrictions and financial aids to encourage the destocking of the property development market.

Overview of the Property Development Industry in Hebei Province

From 2013 to 2018, total investments in property development in Hebei province increased from RMB344.5 billion to RMB447.6 billion, representing a CAGR of 5.4%. The sufficient funds and outstanding financing capabilities of local property development enterprises in Hebei province drove the increase in total investments in property development industry in the past years. The table below sets out certain statistics relating to different sectors of Hebei Province's property market for the years indicated.

	2013	2014	2015	2016	2017	2018	2013–2018 CAGR *(%)*
Total investment in property development *(RMB billion)*	344.5	406.0	428.5	469.6	482.4	447.6	5.4
Residential buildings	253.9	301.0	316.3	347.5	365.7	347.1	6.5
Non-residential buildings	90.6	105.0	112.2	122.1	116.7	100.5	2.1
Floor space of buildings completed of enterprises *(sq.m. million)*	44.4	40.4	40.4	42.9	34.2	23.9	-11.7
Residential buildings	35.2	32.0	32.3	33.5	27.3	19.2	-11.4
Non-residential buildings	9.2	8.4	8.1	9.4	6.9	4.7	-12.6
Floor space of commercialized buildings sold *(sq.m. million)*	56.8	57.1	58.5	66.8	64.3	52.5	-1.6
Residential buildings	50.2	50.2	51.6	59.0	55.8	47.1	-1.3
Non-residential buildings	6.6	6.9	6.9	7.8	8.5	5.4	-3.9
Average selling price of commercialized buildings sold *(RMB/sq.m.)*							
Residential buildings	4,639.6	4,988.2	5,529.6	6,290.3	7,038.5	7,566.8	10.3
Non-residential buildings	6,870.3	6,169.3	7,465.8	7,552.7	8,281.2	8,701.4	4.8

Source: National Bureau of Statistics of China, Hebei Municipal Bureau of Statistics, Frost & Sullivan

Overview of the Property Development Industry in Baoding and Zhangjiakou

Total investments in property development in Baoding and Zhangjiakou

From 2013 to 2018, total investments in property development in Baoding increased from RMB29.2 billion to RMB51.2 billion, representing a CAGR of 11.9%. This was mainly driven by the surge growth in housing demand and the price increase in key raw materials.

Total investments in property development in Zhangjiakou also witnessed a huge growth at a CAGR of 11.0% during the historical period, of which total investments in residential buildings increased notably at a CAGR of 15.9% from RMB13.6 billion in 2013 to RMB28.4 billion in 2018. The table below sets out certain statistics relating to different sectors of Baoding and Zhangjiakou's property market for the years indicated.

	2013	**2014**	**2015**	**2016**	**2017**	**2018**	**2013–2018 CAGR** *(%)*
Total investment in property development in Baoding *(RMB billion)*	29.2	39.6	44.5	61.9	51.7	51.2	11.9
Residential buildings	25.9	33.9	37.0	50.7	40.9	41.2	9.7
Non-residential buildings	3.3	5.7	7.5	11.2	10.8	10.0	24.8
Average selling price of commercialized buildings sold in Baoding *(RMB/sq.m.)*	3,948.4	4,056.9	3,976.9	5,124.6	6,057.8	N/A	N/A
Total investment in property development in Zhangjiakou *(RMB billion)*	19.9	17.6	21.2	32.6	39.1	33.6	11.0
Residential buildings	13.6	12.2	15.4	24.8	30.6	28.4	15.9
Non-residential buildings	6.3	5.4	5.8	7.8	8.5	5.2	-3.8
Average selling price of commercialized buildings sold in Zhangjiakou *(RMB/sq.m.)*	3,825.6	4,151.8	4,595.5	4,605.9	6,421.1	6,671.7	11.8

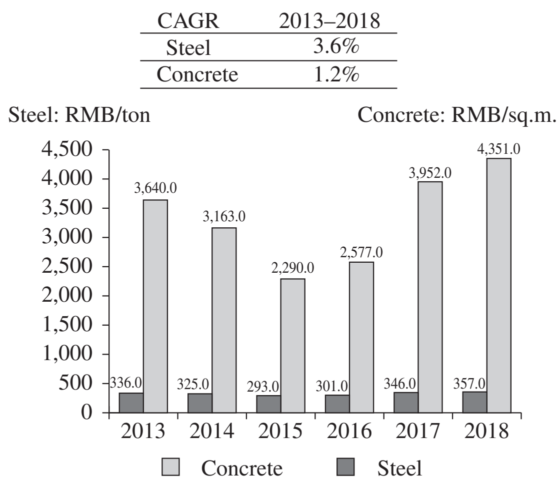
Source: Baoding Municipal Bureau of Statistics, Zhangjiakou Municipal Bureau of Statistics, Frost & Sullivan

Prices of key construction materials

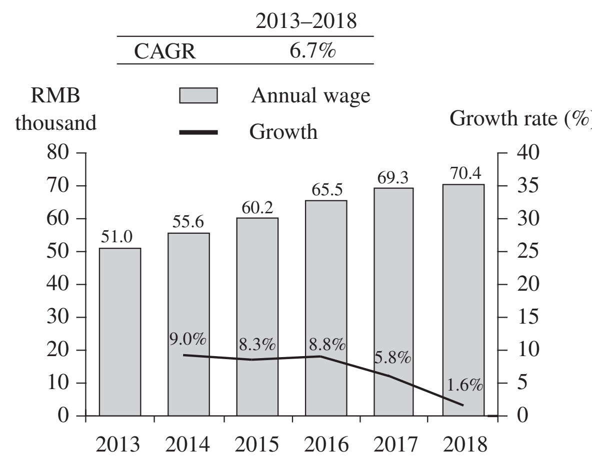
Concrete and steel are two major raw materials used in the property development industry. Over the period from 2013 to 2018, the average price of concrete has demonstrated an overall downtrend from RMB336.0 in 2013 to RMB293.0 in 2015 per cubic meter. Due to the issue of excess production capacity and decreasing demand from the downstream in iron and steel industry, the average price of steel experienced a huge drop from 2013 to 2015. With the recovery in iron and steel industry, the average price of steel largely rose from RMB2,290.0 in 2015 to RMB4,351.0 in 2018 each ton.

The past several years witnessed a sharp rise in the overall labor cost in China. According to the statistics from National Bureau of Statistics of the PRC, the average wages of the property development industry in China increased from RMB51,000 in 2013 to RMB70,400 in 2018, representing a CAGR of 6.7%.

Average Price of Concrete and Steel, 2013–2018



Average Annual Wage of Real Estate Industry, 2013–2018



Source: National Bureau of Statistics of the PRC, Frost & Sullivan

Competitive Landscape of Property Development Industry in Baoding, Zhuozhou and Zhangjiakou

Ranking of property development industry in Baoding

For the competitive landscape of the property development industry in Baoding, there were many subsidiaries established by large property development groups such as China Fortune Land Development Co., Ltd. and Risesun Holding Co., Ltd. Some construction groups also participated in the competition of property development through their subsidiaries, such as Hebei Jianshe Construction Group Co., Ltd. and Showland Group Ltd. In terms of sales revenue, the top 10 players in Baoding generated aggregated sales revenue of RMB8.5 billion. Our Group ranked the seventh place with approximately RMB0.4 billion sales revenues in 2018.

Top 10 Real Estate Development Enterprises in Baoding, 2018

Rank	**Enterprise name**	**Revenue** *(RMB billion)*
1.	Company A	1.8
2.	Company B	1.8
3.	Company C	1.3
4.	Company D	1.2
5.	Company E	0.9
6.	Company F	0.7
7.	Our Group	0.4
8.	Company G	0.2
9.	Company H	0.1
10.	Company I	0.1
		8.5

Source: Frost & Sullivan

Note: The ranking of property development enterprises in Baoding only covers those enterprises registered in Baoding.

Company A was incorporated in 2002, with its headquarters located in Beijing. It mainly operates residential real estate, commercial real estate, property services, etc.

Company B was incorporated in 1998, with its headquarters located in Beijing. It mainly operates property development, industrial parks, etc.

Company C was incorporated in 1992, with its headquarters located in Hebei. It mainly operates property development, etc.

Company D was incorporated in 1996, with its headquarters located in Hebei. It mainly operates property development, property management, etc.

Company E was incorporated in 2008, with its headquarters located in Beijing. It mainly operates property development, construction, etc.

Company F was incorporated in 2009, with its headquarters located in Hebei. It mainly operates property development, property management, etc.

Company G was incorporated in 1996, with its headquarters located in Hebei. It mainly operates property development, tourism, infrastructure development, etc.

Company H was incorporated in 2003, with its headquarters located in Hebei. It mainly operates property development, international trade, and commerce, industry, etc.

Company I was incorporated in 1997, with its headquarters located in Hebei. It mainly operates property development, construction, tourism, etc.

Ranking of property development industry in Zhuozhou

For the competitive landscape of property development industry in Zhuozhou, total sales revenue generated from top five market players was approximately RMB5.0 billion in 2018, among which many companies were established by large property development groups in Hebei province. Our group ranked the 4th place in the property development market in Zhuozhou by generating RMB0.4 billion in terms of revenue in 2018.

Top Five Real Estate Development Enterprises in Zhuozhou, 2018

Rank	**Enterprise name**	**Revenue** *(RMB billion)*
1.	Company A	1.8
2.	Company B	1.8
3.	Company E	0.9
4.	Our Group	0.4
5.	Company H	0.1
Total		**5.0**

Source: Frost & Sullivan

Note: The ranking of property development enterprises in Zhuozhou only covers those enterprises registered in Zhuozhou.

Property industry in Zhangjiakou

With respect to the competitive landscape of property development industry in Zhangjiakou, there are many market incumbents established by leading national and regional property developers such as Risesun Real Estate Development Holdings Co., Ltd. (榮盛房地產發展股份有限公司) and Zhangjiakou Kaiyuan Shengshi Real Estate Development Co., Ltd. (張家口市開元盛世房地產開發有限責任公司). There are also numerous small-scale property developers which are deeply rooted in Zhangjiakou increasingly scaling up their business with local resource advantages, such as land reserve and long-standing government relationship.

Recent Home Purchase Restrictions in Major Cities Where our Group Has Operations and Land Reserves

Baoding

In May 2017, Baoding Municipal People's Government enacted Opinions on Reinforcing Property Market Management, based on Opinions on Further Developing the Property Market Healthily enacted by the People's Government of Hebei Province, to maintain the property market steady, healthy and sustainable, and to support the establishment of Xiong'an New Area. The opinions strictly restrict the residents on home purchase. For example, local households with over two homes in city center and non-local households with over one home in city center cannot purchase homes any more. In addition, governments of all districts in Baoding set different limits on the number of homes that households can hold. In Zhuozhou, non-local households can hold only one home. Local households can hold two homes, and they have to pay more than 50% as down payment when they purchase the second one.

Zhangjiakou

In May 2017, Zhangjiakou Municipal People's Government enacted Opinions on Accelerating Development of Housing Security and Supply to Promote the Stable and Healthy Development of the Property Market. The policies aim to develop a well-established property market, including home purchase restriction. For example, in city center, local households with one home and all non-local households can only purchase one more home in city center. For local households with one home, the percentage of down payment is much higher than those who purchase the first home.

THE CONSTRUCTION INDUSTRY

Overview of the Construction Industry in China

Attributed to the booming macro economy and large investment in fixed assets, the total output value of construction in China registered a robust growth in the past few years, rising from RMB16,036.6 billion in 2013 to RMB23,508.6 billion in 2018 at a CAGR of 8.0%. In 2015, due to the arrival of "new normal" phase, the year-on-year growth rate of total output value of construction demonstrated a decrease from 10.2% in 2014 to 2.3% in 2015.

Key Market Drivers of Construction Industry in China

Growing infrastructure investment, accelerating urbanization and implementation of the "Belt and Road Initiative" jointly drive the development of construction industry in China.

- **Growth in infrastructure investment**: Over the past few decades, the sustained growth of fixed asset investment has contributed to the development of China's construction industry. Despite this, there is still a gap between China and the developed countries. The "13th Five-Year Plan" proposes "accelerating the infrastructure construction in China including transportation, water conservancy, energy facilities and other departments to further improve the country's basic public services level."As such, the investment value in China is expected to reach approximately RMB40 trillion and greatly promote the steady growth of China's construction industry.

- **Acceleration of urbanization**: According to the historical data from 2013 to 2018 by NBSC, since 2013, an increase of 1% in urbanization rate has, on average, generated an increase of 3.4% in fixed assets investment. In 2018, the urbanization rate in China exceeded 59.0%, and it is expected to reach 67.1% in 2023. Therefore, the increase of urbanization rate will directly stimulate the demand for investment in fixed assets, thus driving the development of the construction industry. In addition, the National New Urbanization Plan (2014–2020) indicated that the government will put emphasis on the renovation projects of shantytowns, urban villages and dilapidated buildings where about 100 million people live, which will also bring certain demands to the construction industry.

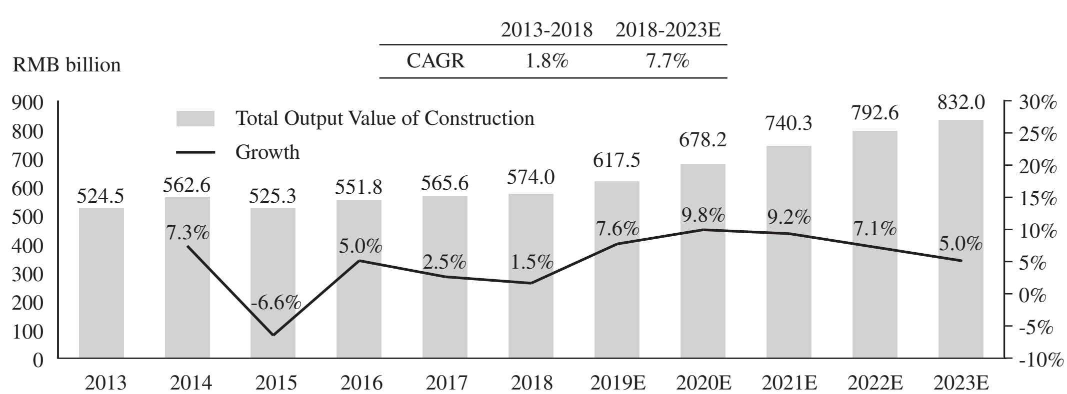
- **Implementation of the "Belt and Road Initiative"**: The implementation of the "Belt and Road Initiative" is expected to bring lots of benefits to the construction industry. The "Belt and Road Initiative" is a development strategy involving infrastructure development and investment in the area of ASEAN, South Asia, West Asia, Central Asia, North Africa, Central and Eastern Europe, with a total population of 4.4 billion (about 63% of the world) and a total GDP of US$23.0 trillion (about 31% of the world). In 2018, the value of new contracts of Chinese enterprises reached US$125.8 billion in related countries and regions. The "Belt and Road Initiative" is expected to create many new export opportunities for China's construction industry. Therefore, we will explore the opportunities of cooperation with state-owned construction companies as a sub-contractor to undertake overseas construction projects promoted and endorsed by the implementation of the "Belt and Road Initiative". We believe such endeavor will enhance our corporate image, raise brand awareness as well as increase our revenues and results of operations.

Overview of the Construction Industry in Hebei Province

From 2013 to 2018, the total output value of construction in Hebei province increased from RMB524.5 billion in 2013 to RMB574.0 billion in 2018, representing a CAGR of 1.8%. Specifically, in 2015, the output value of construction decreased to RMB525.3 billion due to the excess of construction capacity and the slowdown in the development of housing market that year.

The establishment of Xiong'an New Area is estimated to attract considerable amounts of capital and to further accelerate the construction industry in Hebei. Moreover, the People's Government of Hebei Province announced that the total output value of construction in Hebei Province is targeted to rise above RMB1,000.0 billion by 2025. Accordingly, from 2018 to 2023, the total output value of construction in Hebei province is estimated to increase at a CAGR of 7.7%, higher than that of construction in China, and reach RMB832.0 billion in 2023.

Total Output Value of Construction in Hebei (2013–2023E)



Source: National Bureau of Statistics of the PRC, Frost & Sullivan

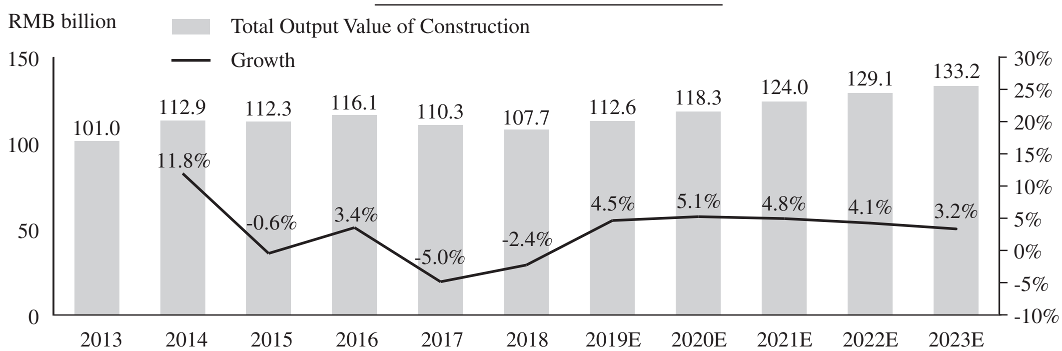
Overview of the Construction Industry in Baoding

From 2013 to 2018, the total output value of construction in Baoding City increased from RMB101.0 billion in 2013 to RMB107.7 billion in 2018, representing a CAGR of 1.3% due to the increasing urbanization rate and large investment in fixed assets. However, the output value of construction in 2017 decreased by 5.0% than 2016 because of the slowdown in the development of housing market in Baoding City that year.

It is estimated that the establishment of Xiong'an New Area will attract considerable amount of capital and to further accelerate the development of construction industry in Baoding City. Accordingly, from 2018 to 2023, the total output value of construction in Baoding City is estimated to increase at a CAGR of 4.3% and reach RMB133.2 billion in 2023.

Total Output Value of Construction in Baoding (2013–2023E)

	2013-2018	2018-2023E
CAGR	1.3%	4.3%



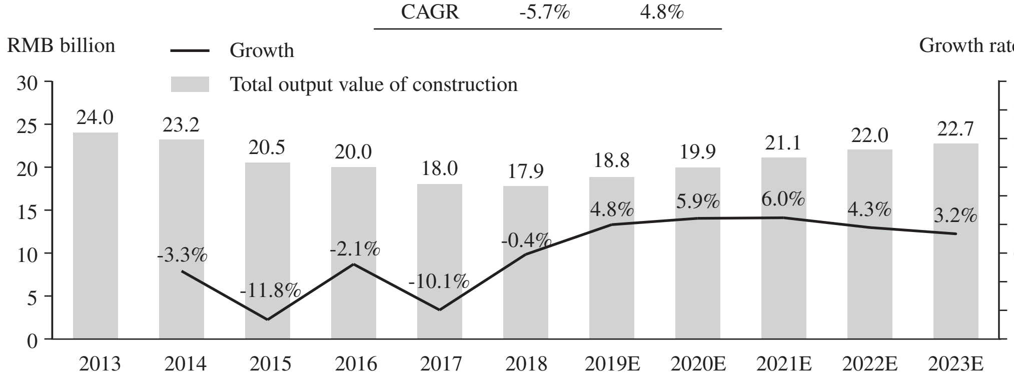
Source: National Bureau of Statistics of the PRC, Frost & Sullivan

Overview of the Construction Industry in Zhangjiakou

From 2013 to 2018, the total output value of construction in Zhangjiakou City decreased from RMB24.0 billion in 2013 to RMB17.9 billion in 2018, representing a CAGR of -5.7% due to the slowdown in the development of housing market and the house purchase restriction, which limited people without local identity to purchase one house/apartment only. However, the total output value of construction in Zhangjiakou is expected to increase in the future, as construction projects related with the 2022 Beijing Winter Olympics, which will be held together in Beijing and Zhangjiakou, will drive the expansion of the construction market. Accordingly, from 2018 to 2023, the total output value of construction in Zhangjiakou City is estimated to increase at a CAGR of 4.8% and reach RMB22.7 billion in 2023.

Total Output Value of Construction in Zhangjiakou City (2013–2023E)

	2013-2018	2018-2023E
CAGR	-5.7%	4.8%



Source: National Bureau of Statistics of China, Frost & Sullivan

Competitive Landscape of Construction Industry in Baoding, Zhuozhou and Zhangjiakou

Ranking of construction industry in Baoding

The construction industry in China is highly fragmented. By December 31, 2018, there were 95,400 construction companies in China, of which 2,523 were in Hebei Province.

In 2018, Tianbao Group ranked the seventh in terms of revenue generated from construction contracting business among private construction enterprises in Baoding City, which reached RMB1,201.5 million.

Baoding City Top 10 Private Construction Enterprises in Terms of Revenue, 2018

Rank	**Company name**	**Construction revenue** *(RMB million)*
1.	Company J	45,269.8
2.	Company K	4,479.2
3.	Company L	1,991.0
4.	Company M	1,470.6
5.	Company N	1,447.7
6.	Company O	1,257.2
7.	Tianbao Construction Group	1,201.5
8.	Company P	177.7
9.	Company Q	60.3
10.	Company R	41.8

Source: Annual Report, Frost & Sullivan

Company J was incorporated in 1997, with its headquarters located in Hebei. It mainly operates construction and real estate business.

Company K was incorporated in 1992, with its headquarters located in Hebei. It mainly operates construction business.

Company L was incorporated in 2000, with its headquarters located in Beijing and Hebei. It mainly operates construction and real estate business.

Company M was incorporated in 1994, with its headquarters located in Hebei. It mainly operates construction and real estate business.

Company N was incorporated in 2009, with its headquarters located in Hebei. It mainly operates construction business.

Company O was incorporated in 1974, with its headquarters located in Beijing and Hebei. It mainly operates construction business.

Company P was incorporated in 1983, with its headquarters located in Hebei. It mainly operates construction and real estate business.

Company Q was incorporated in 2000, with its headquarters located in Hebei. It mainly operates construction business.

Company R was incorporated in 2006, with its headquarters located in Hebei. It mainly operates construction business.

Ranking of construction industry in Zhuozhou

In 2018, Tianbao Construction Group ranked the third in terms of revenue generated from construction contracting business among both state-owned and private construction enterprises in Zhuozhou City, which reached RMB1,201.5 million.

In 2018, Tianbao Construction Group ranked the first in terms of revenue generated from construction contracting business among private construction enterprises in Zhuozhou City, which reached RMB1,201.5 million.

Zhuozhou City Top Five Construction Enterprises in Terms of Revenue, 2018

Rank	Company name	Ownership	Construction revenue *(RMB million)*
1.	Company S	State-owned	4,496.1
2.	Company T	State-owned	4,492.3
3.	Tianbao Construction Group	Private	1,201.5
4.	Company U	State-owned	1,059.7
5.	Company Q	Private	60.3

Source: Frost & Sullivan

Company S was incorporated in 1989, with its headquarters located in Hebei. It mainly operates construction business.

Company T was incorporated in 1990, with its headquarters located in Hebei. It mainly operates construction business.

Company U was incorporated in 1989, with its headquarters located in Hebei. It mainly operates construction business.

Company Q was incorporated in 2000, with its headquarters located in Hebei. It mainly operates construction business.

Ranking of construction industry in Zhangjiakou

The market landscape of construction industry in Zhangjiakou is relatively competitive. There were 121 construction enterprises registered in Zhangjiakou by the end of 2018, including both state-owned and private enterprises. In 2018, Tianbao Construction Group ranked the tenth in terms of revenue generated from construction business among private construction enterprises in Zhangjiakou City, which reached RMB275.0 million.

Zhangjiakou City Top 10 Private Construction Enterprises in Terms of Revenue, 2018

Rank	Company name	Construction revenue *(RMB million)*
1.	Company V	1,071.1
2.	Company W	888.0
3.	Company X	821.0
4.	Company Y	476.0
5.	Company Z	447.7
6.	Company AA	384.3
7.	Company BB	359.4
8.	Company CC	313.9
9.	Company DD	312.5
10.	Tianbao Construction Group	275.0[(i)]

Source: Frost & Sullivan

Note:

(i) The construction contracting revenue was generated from intersegment transactions.

Company V was incorporated in 2000, with its headquarters located in Zhangjiakou. It mainly operates construction business.

Company W was incorporated in 2005, with its headquarters located in Zhangjiakou. It mainly operates construction and installation business.

Company X was incorporated in 2002, with its headquarters located in Zhangjiakou. It mainly operates construction business.

Company Y was incorporated in 2002, with its headquarters located in Zhangjiakou. It mainly operates construction business.

Company Z was incorporated in 1997, with its headquarters located in Zhangjiakou. It mainly operates construction business.

Company AA was incorporated in 2002, with its headquarters located in Zhangjiakou. It mainly operates construction business.

Company BB was incorporated in 2007, with its headquarters located in Zhangjiakou. It mainly operates construction business.

Company CC was incorporated in 2002, with its headquarters located in Zhangjiakou. It mainly operates construction business.

Company DD was incorporated in 2002, with its headquarters located in Zhangjiakou. It mainly operates construction business.

REGULATIONS RELATING TO FOREIGN INVESTMENT

Under the Special Administrative Measures for Access of Foreign Investment (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 MOFCOM and the NDRC on June 30, 2019 and became effective on July 30, 2019, property development and construction contracting and design do not fall within the prohibited or restrictive list for access of foreign investments.

Foreign investment in property development

On July 11, 2006, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC (國家工商行政管理總局) and the SAFE jointly issued the Opinions on Regulating the Access and Administration of Foreign Investment into the Real Estate Market (關於規範房地產市場外資准入和管理的意見) (the "**Opinions**") which provides that: (i) a foreign institution or individual, when purchasing the not-for-self-use in China, shall follow the principles of commercial presence, and, according to relevant regulations in respect of foreign investment in property, apply for establishing a foreign investment enterprise. After ratified and registered by relevant departments, an overseas institution or individual may engage in the related business in accordance with the approved business scope; (ii) the registered capital of foreign-invested property enterprises with the total investment amount exceeding or equal to US$10 million shall be no less than 50% of their total investment; (iii) foreign-invested property enterprises can apply for renewing the official foreign-invested enterprise approval certificate and business license with an operation term of one year only after they have paid back all the land premium and obtained the state-owned land use rights certificate; (iv) with respect to equity transfer and project transfer of a foreign-invested property enterprise and the merger and acquisition of a domestic property enterprise by an overseas investor, the department in charge of commerce and other departments shall conduct examination and approval in strict compliance with the provisions of the relevant laws, regulations, and policies.

On August 19, 2015, the MOHURD, the MOFCOM, the NDRC, the PBOC, the SAIC and the SAFE jointly promulgated the Circular on Adjusting the Policies Concerning the Access and Administration of Foreign Investment into the Real Estate Market (關於調整房地產市場外資准入和管理有關政策的通知) (the "**Circular**"). Pursuant to the Circular, the ratio of registered capital to total investment of foreign invested property companies shall be subject to the Tentative Regulations of the SAIC on the Proportion of the Registered Capital to the Total Amount of Investment of Sino-foreign Equity Joint Ventures (國家工商行政管理總局關於中外合資經營企業註冊資本與投資總額比例的暫行規定) that a foreign invested property company must fully pay its registered capital before applying for domestic or foreign loans, or settlement of foreign exchange loans has been canceled.

Foreign investment in construction contracting and design

According to the Regulations on Construction Enterprises with Foreign Investment (外商投資建築業企業管理規定) which was jointly promulgated by the MOHURD, and the Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) on September 27, 2002 and effective from December 1, 2002, a foreign investor who wishes to establish construction enterprises with foreign investment within China and engage in construction activities, must obtain the approval certificate for foreign-invested enterprise from the competent administrative agencies for foreign trade and economic activities, go through the registration at the SAIC or the authorized local industrial and commercial bureaus and obtain the aptitude certificate for construction enterprise from competent construction department. Only the following kinds of projects shall be within the business scope of wholly-foreign owned construction enterprises according to their aptitude class: (i) foreign-invested and/or foreign-granted projects; (ii) projects subsidized by foreign financial institutions and awarded by international tender according to financing provisions; (iii) sino-foreign cooperation projects where the foreign investment is not less than 50%, or where the foreign investment is less than 50% but approved by the relevant PRC construction authority that it is unable to execute independently by PRC construction enterprise due to technical difficulty; and (iv) joint contracting is allowable for the domestic-invested and sino-foreign cooperation projects where it had been approved by the relevant PRC construction authority that it is unable to execute independently by PRC construction enterprise due to technical difficulty. The investment of the Chinese investor of sino-foreign equity construction joint ventures must comprise at least 25% of the registered capital. Meanwhile, sino-foreign equity construction joint ventures should contract projects within the authorized scope corresponding to its aptitude class. The construction departments of provinces, autonomous regions, and municipalities directly under the administration of the Central Government shall be in charge of the aptitude management within their respective administrative region according to these regulations.

QUALIFICATIONS

Qualifications for property developers

In accordance with the Law of the People's Republic of China on Urban Real Estate Administration (中華人民共和國城市房地產管理法) (the "**Urban Real Estate Law**") (promulgated on July 5, 1994, revised on August 30, 2007 and amended on August 27, 2009) and the Regulations on Administration of Development and Operation of Urban Property (城市房地產開發經營管理條例) (the "**Development Regulations**") (promulgated and implemented on July 20, 1998 by the State Council, revised on January 8, 2011 and last amended on March 24, 2019), a property development enterprise shall, within 30 days starting from the date of obtainment of the business license, file the relevant documents with the competent department of property development of the place where the registration authority is located. The competent department of property development shall, on the basis of the assets, specialized technical personnel and development and management achievements, verify the level of qualification of the property development enterprise in question. The property development enterprise shall, in accordance with the verified level of qualification, undertake corresponding property development projects. Relevant specific rules may be formulated by the competent administrative department of construction of the State Council.

Pursuant to the Regulations on Administration of Qualification of Real Estate Development Enterprises (房地產開發企業資質管理規定) (the "**Circular 77**") which was promulgated on November 16, 1993, and was last amended on December 22, 2018, enterprises engaged in property development are classified into four qualification levels: Level I, Level II, Level III and Level IV in accordance with their experience of property development business, construction quality, the professional personnel they employ, and quality control system etc. Enterprises of various qualification levels shall engage in property development and management within the prescribed scope of business and shall not undertake tasks by passing their own levels. A Level I property developer may undertake a property development projects throughout the country without any limit on the scale of the project. A property developer of

Level II or lower may undertake a project with a GFA of less than 250,000 square meters and the specific scopes of business shall be as formulated by the construction authority under the people's government of the relevant province, autonomous region or municipality.

For a newly established property developer, after it reports its establishment to the property development authority, the latter shall issue the Provisional Qualification Certificate (暫定資質證書) to the eligible developer within 30 days. The Provisional Qualification Certificate is effective for 1 year from its issuance while the property development authority may extend the validity to a period of no longer than two years considering the actual business situation of the enterprise. The property developer shall apply for qualification classification by the property development authority within 1 month before the expiry of the Provisional Qualification Certificate.

Qualifications for construction contracting

The Construction Law of the PRC (中華人民共和國建築法) issued on April 22, 2011 and last amended on April 23, 2019, the Provisions on the Administration of Qualifications of Enterprises in the Construction Industry (建築業企業資質管理規定), Qualification Standards of Construction Enterprises (建築業企業資質標準), the Implementing Measures of Premium Class Qualification Standards for General Construction Contractors (施工總承包企業特級資質標準實施辦法), the Construction Enterprise Qualification Management Regulations and the Implementation of Quality Standards (建築業企業資質管理規定和資質標準實施意見), together with other regulations stipulate the application requirements and the scope of contracting enterprises of construction. 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, general construction contracting, specialized subcontracting and labor subcontracting. The general construction contracting qualification is generally 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 (建築業企業資質標準) sets forth detailed provisions on the requirements for each type and class of qualification mentioned above and the premium class qualification standards are prescribed separately in the Premium Class Standards.

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 general 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, namely, not the construction of the main structure of the construction program 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.

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) issued on September 25, 2000 and last amended on October 7, 2017, and the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects (建設工程勘察設計資質管理規定), the PRC Government has implemented a system of qualification administration for enterprises engaged in construction design. Enterprises engaged in construction design shall apply for certifications before they undertake construction design activities.

Construction design certifications are classified into four types. The four types are comprehensive construction design certifications, industry-specific construction design certifications, specialty construction design certifications, and specific construction design certifications. 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 and specific construction design certifications, and an additional Grade C and D category for specialty 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.

ADMINISTRATION OF TENDER AND BID

According to the Construction Law of the PRC and the Tender and Bidding Law of the PRC (中華人民共和國招標投標法) issued on August 30, 1999 and last amended on December 27, 2017, tender is required for the survey, design, construction and supervision 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 loans 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.

The Provisions on Construction Projects Which Must Be Subject to Bidding (必須招標的工程項目規定) and the Administrative Measures of Tender and Bidding for Construction of Buildings and Public Infrastructures (房屋建築和市政基礎設施工程施工招標投標管理辦法) define the scope of construction projects which shall be subject to bidding and provide the specific requirements for bidding. The Provisions on Tender and Bidding of Survey and Design of Construction Project (工程建設項目勘察設計招標投標辦法), the Provisions on Tender and Bidding of Construction Projects (工程建設項目施工招

標投標辦法), the Regulation on the Implementation of the Tender and Bidding Law of the PRC (中華人民共和國招標投標法實施條例) and relevant specific provisions specify the requirements and procedures for bidding.

CONSTRUCTION PROJECT QUALITY

Pursuant to the Administrative Regulations on Construction Project Quality (建設工程質量管理條例), which was promulgated and effective on January 30, 2000, and was latest amended on April 23, 2019, construction enterprises shall be responsible for the quality of their construction works. The main contractor of a construction project shall be responsible for the quality of the whole project. If the main contractor subcontracts construction works to a subcontractor, the subcontractor shall be liable to the main contractor for the quality of the subcontracted works in accordance with the contract between them, and the main contractor and subcontractor shall be jointly and severally liable to the owner for the quality of the subcontracted works.

LAND USE RIGHTS FOR PROPERTY DEVELOPMENT

On April 12, 1988, the NPC passed an amendment to the Constitution of the PRC (中華人民共和國憲法). The amendment allowed the transfer of land use rights for value to prepare for reforms of the legal regime governing the use of land and transfer of land use rights. On December 29, 1988, the Standing Committee of the NPC also amended the Land Administration Law of the PRC (中華人民共和國土地管理法) to permit the transfer of land use rights for value.

On May 19, 1990, the State Council enacted the Provisional Regulations of the PRC Concerning the Grant and Transfer of the Right to Use State-owned Land in Urban Areas (中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例). These regulations, generally referred to as the Urban Land Regulations, formalized the process of the grant and transfer of land use rights for value. A land user shall pay land premium to the State as consideration for the grant of the right to use a land site within a certain term, and the land user may transfer, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. After full payment of the land premium, the land user shall register with the land administration authority and obtain a land use rights certificate, which certifies the acquisition of land use rights.

Under the Regulations on the Grant of State-Owned Land Use Right through Tender, Auction or Listing-for-Sale (招標拍賣掛牌出讓國有土地使用權規定), issued by the MLR on May 9, 2002 and implemented on July 1, 2002 and revised on September 28, 2007 with the name of Regulations on the Grant of State-Owned Construction Land Use Right through Tender, Auction and Listing-for-Sale (招標拍賣掛牌出讓國有建設用地使用權規定) (the "**Land Grant Regulations**") which became effective on November 1, 2007, the Land Grant Regulations specifically provide that land to be used for industrial, commercial, tourism, entertainment or commodity residential purposes, or where there are two or more intended users for a certain piece of land, shall be granted by way of tender, auction or listing-for-sale processes. A number of measures are provided by the Land Grant Regulations to ensure such grant of land use rights for commercial purposes is conducted openly and fairly.

On June 11, 2003, the MLR promulgated the Regulations on Grant of State-Owned Land Use Rights by Agreement (協議出讓國有土地使用權規定) which became effective on August 1, 2003, to regulate granting of land use rights by agreement when there is only one applicant interested in the land and the designated uses of which are other than for commercial purposes as described above.

According to the Circular on the Distribution of the Catalog for Restricted Land Use Projects (2012 Edition) and the Catalog for Prohibited Land Use Projects (2012 Edition) (關於印發〈限制用地項目目錄(2012年本)〉和〈禁止用地項目目錄(2012年本)〉的通知) promulgated by the MLR and NDRC in May 2012, the granted area of the residential housing projects should not exceed (i) seven hectares for small cities and towns, (ii) 14 hectares for medium-sized cities, or (iii) and 20 hectares for large cities and the plot ratio shall not be lower than 1.0.

The Measures on the Administration of Land Reservation (土地儲備管理辦法), promulgated by the MLR, the MOF, the PBOC and the CBRC on January 3, 2018, define "Land Reservation" and stipulate the administrative, regulatory and implementing procedures involved with the planning, the storage standard, prophase development, management and protection, supply and fund management and the regulatory responsibility of reserved land.

DEVELOPMENT OF PROPERTY PROJECTS

Commencement of property development projects

According to the Urban Real Estate Law, those who have obtained the right of land use by way of grant for property development must develop the land in accordance with the land use and the construction period as prescribed in the grant contract. Pursuant to the Measures on Disposal of Idle Land (閑置土地處置辦法), which was promulgated on April 28, 1999 by the MLR and revised on June 1, 2012, land can be defined as idle land under any of the following circumstances:

- development and construction of the state-owned construction land is not commenced after one year of the prescribed time limit in the land use right grant contract or allocation decision; or

- the development and construction of the state-owned construction land has been commenced but the area of the development and construction that has been commenced is less than one-third of the total area to be developed and constructed or the invested amount is less than 25% of the total amount of investment, and the development and construction have been continuously suspended for one year or more without an approval.

When the development has not started one year later than the date for starting the development as prescribed by the land use right grant contract, an idle land fee no more than 20% of the land grant premium may be collected and when the development has not started two years later, the right to use the land may be confiscated without any compensation, except that the delays are caused by force majeure or the activities of government.

Where the delay of commencement of development is caused by the government's behavior or due to the force majeure such as natural disasters, the land administrative authorities shall discuss with the holder of state-owned construction land use rights and choose the methods for disposal in accordance with the Measures on Disposal of Idle Land.

Planning of property projects

Under the Regulations on Planning Administration regarding Granting and Transfer of State-Owned Land Use Right in Urban Area (城市國有土地使用權出讓轉讓規劃管理辦法) promulgated by the MOHURD in December 1992 and amended in January 2011, a property developer shall apply for a construction land planning permit (建設用地規劃許可證) from the municipal planning authority. After obtaining the construction land planning permit, the property developer shall conduct all necessary planning and design works in accordance with relevant planning and design requirements. A planning and design proposal in respect of the property project shall be submitted to the municipal planning authority in compliance with the requirements and procedures under the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), which was issued on October 28, 2007 and last amended on April 23, 2019, and a construction work planning permit (建設工程規劃許可證) from the municipal planning authority should be obtained.

Construction work commencement permit

The property developer shall apply for a construction work commencement permit (建築工程施工許可證) from the relevant construction authority in accordance with the Regulations on Administration Regarding Permission for Commencement of Construction Works (建築工程施工許可管理辦法) promulgated by the MOHURD on October 15, 1999, amended on July 4, 2001, revised on June 25, 2014 and further revised on September 28, 2018 by MOHURD.

Acceptance and examination upon completion of property projects

Pursuant to the Regulations on Administration of Development and Operation of Urban Real Estate (城市房地產開發經營管理條例) promulgated by the State Council on July 20, 1998, amended on January 8, 2011, and then revised respectively on March 19, 2018 and March 24, 2019, the Administrative Measures for Reporting Details Regarding Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收備案管理辦法) promulgated by the Ministry of Construction on April 4, 2000 and amended on October 19, 2009 and the Provisions on Acceptance Examination upon Completion of Buildings and Municipal Infrastructure (房屋建築和市政基礎設施工程竣工驗收規定) promulgated and implemented by the MOHURD on December 2, 2013, upon the completion of property development project, the construction enterprise shall organize construction completion acceptance examination conducted by competent institutions, after passing which the construction enterprise shall file with the competent department of construction of local people's government at or above county level, where the project is located, to obtain the Filing Form for Acceptance and Examination upon Completion of Construction Project. A property project shall not be delivered before passing the acceptance examination.

PROPERTY TRANSFER AND SALE

Pre-sale of commodity properties

According to the Measures for Administration of Pre-sale of Commodity Buildings (城市商品房預售管理辦法) (the "**Pre-sale Measures**") promulgated by the MOHURD on November 15, 1994 and amended on August 15, 2001 and July 20, 2004 respectively, any pre-sale of commodity buildings is subject to specified procedures. If a property development enterprise intends to sell commodity buildings in advance, it shall apply to the property administrative authority to obtain a pre-sales permit. Under the Pre-sales Measures and the Urban Real Estate Law, the pre-sale proceeds of commodity buildings shall be used to fund the construction of the relevant projects.

According to the Baoding municipal Regulating Measures on Funds of Pre-sale of Commodity Buildings (保定市商品房預售資金監管辦法), Yuxian county Implementation Measures on Funds of Pre-sale of Newly Built Commodity Buildings (蔚縣新建商品房預售資金監管實施辦法), the Forwarding Notice of the Office of Zhangbei County People's Government about Zhangjiakou municipal Regulating Measures on Funds of Pre-sale of Newly Built Commodity Buildings (張北縣人民政府辦公室關於轉發《張家口市新建商品房預售資金監管辦法》的通知) and the Notice of Zhuozhou Municipal Housing and Urban-Rural Development Bureau on Implementation of the Regulating Measures on the funds of Pre-sale (涿州市住建局關於印發《商品房預售資金監管辦法》的通知), promulgated by the Baoding Municipal People's Government Office, Yuxian County People's Government Office, Zhangbei County People's Government Office and Zhuozhou Municipal Housing and Urban-Rural Development Bureau separately, all the funds of the pre-sale of the commodity buildings should be deposited with the regulating bank account and supervised by the regulatory authorities, which ensures all the funds will be used for the purpose of construction of the commodity building programs. The pre-sale funds could be allocated in accordance with the construction schedule, while there should be enough funds guaranteeing the delivery of the construction programs and the specific regulating measures should be promulgated and carried out by the local authorities. The regulating period counts from the day on which the pre-sale permit got obtained, to the day when the building completed its first registration/acceptance examination. The property development enterprises or the pre-sale enterprises should open the regulating bank account of the pre-sale funds of commodity buildings and sign relevant regulatory agreements with the bank. All the pre-sale funds should be deposited with the regulating bank account, and the property development enterprises or the pre-sale enterprises may not collect the payment for the property directly, which violates the relevant regulations. The property development enterprises or the pre-sale enterprises may use the pre-sale funds accordingly, once the regulatory authorities approve the relevant applications, thereafter the regulating bank may allocate the funds in accordance with the approved opinions.

Sales after completion of commodity properties

Under the Measures for Administration of Sale of Commodity Properties (商品房銷售管理辦法) (the "**Sale Measures**") promulgated by MOHURD on April 4, 2001 and became effective on June 1, 2001, commodity properties may be put to post-completion sale only when the following preconditions have been satisfied: (1) the property development enterprise offering to sell the post-completion buildings shall have an enterprise legal person business license and a qualification certificate of a property developer; (2) the enterprise has obtained a land use rights certificate or other approval documents of land use; (3) the enterprise has obtained the construction project planning permit and the construction work commencement permits; (4) the commodity properties have been completed and been inspected and accepted as qualified; (5) the relocation of the original residents has been well settled; (6) the supplementary essential facilities for supplying water, electricity, heating, gas and communication have been made ready for use, and other supplementary essential facilities and public facilities have been made ready for use, or the schedule of construction and delivery date have been specified; and (7) the property management plan has been completed.

The Provisions on Sales of Commodity Properties at Clearly Marked Price (商品房銷售明碼標價規定) (the "**Provisions**") was promulgated by the NDRC on March 16, 2011 and became effective on May 1, 2011. According to the Provisions, any property developer or property agency is required to mark the selling price explicitly and clearly for both newly-built and second-hand commodity properties.

Mortgage of properties

The mortgage of property in China is mainly governed by the Property Rights Law of the PRC (中華人民共和國物權法), the Guarantee Law of the PRC (中華人民共和國擔保法), and the Measures for Administration of Mortgages of Urban Real Estate (城市房地產抵押管理辦法). According to these laws and regulations, land use rights, the buildings and other attachments on the ground may be mortgaged. When a mortgage is created on the ownership of a building legally obtained, a mortgage shall be simultaneously created on the land use right of the land on which the building is situated. The mortgagor and the mortgagee shall sign a mortgage contract in writing. A system has been adopted to register the mortgages of property. After a property mortgage contract has been signed, the parties to the mortgage shall register the mortgage with the property administration authority at the location where the property is situated. If a mortgage is created on the property in respect of which a property ownership certificate has been obtained legally, the registration authority shall make an entry under the "third party rights" item on the original property ownership certificate and issue a Certificate of Third Party Rights to a Building (房屋他項權證) to the mortgagee.

Lease of properties

Both the Urban Land Regulations and the Urban Real Estate Law permit the leasing of granted land use rights and of the buildings or houses erected on the land. On December 1, 2010, the MOHURD promulgated the Administrative Measures for Commodity House Leasing (商品房屋租賃管理辦法) (the "**New Lease Measures**"), which became effective on February 1, 2011, and replaces the Administrative Measures for Urban House Leasing (城市房屋租賃管理辦法). Pursuant to the New Lease Measures, parties thereto shall register and file with the local property administration authority within thirty days after the execution of lease contract. Non-compliance with such registration and filing requirements shall be subject to fines up to RMB10,000. According to the Urban Real Estate Law, part of the rental income derived from any building situated on allocated land, or land which the landlord has acquired only allocated land use rights, shall be turned over to the State.

PROPERTY REGISTRATION

The Interim Regulations on Real Estate Registration (不動產登記暫行條例), promulgated by the State Council on November 24, 2014, became effective on March 1, 2015 and then amended on March 24, 2019, and the Implementing Rules of the Interim Regulations on Real Estate Registration (不動產登記暫行條例實施細則) promulgated by the MLR on and effective from January 1, 2016, provide that, among other things, the State implements a uniform property registration system and the registration of property shall be strictly managed and shall be carried out in a stable and continuous manner that provides convenience for the people.

PROPERTY FINANCING

Loans to property development enterprises

On August 30, 2004, the CBRC issued a Guideline for Commercial Banks on Risks of Real Estate Loans (商業銀行房地產貸款風險管理指引). According to this guideline, no loans shall be granted to projects which have not obtained requisite land use rights certificates, construction land planning permits, construction works planning permits and construction work commencement permits. The guideline also stipulated that bank loans shall only be extended to property developer who applied for loans and contributed not less than 35% of the total investment of the property development project by its own capital. In addition, the guideline provides that commercial banks shall set up strict approval systems for granting loans.

On July 29, 2008, the PBOC and the CBRC issued the Notice on Financially Promoting the Land Saving and Efficient Use (關於金融促進節約集約用地的通知), which, among other things,

- prohibits commercial banks from granting loans to property developers for the purpose of paying land grant premiums;
- provides that, for secured loans for land reserve, legal land use rights certificates shall be obtained, that the loan mortgage ratio shall not exceed 70% of the appraised value of the collateral, and that the term of loan shall be no more than two years in principle;
- provides that for the property developer who (i) delays the commencement of development date specified in the land grant agreement for more than one year, (ii) has not completed one-third of the intended project, or (iii) has not invested one-fourth of the intended total project investment, loans shall be granted or extended prudently;
- prohibits granting loans to the property developer whose land has been idle for more than two years; and
- prohibits taking idle land as a security for loans.

On September 29, 2010, the PBOC and the CBRC jointly issued the Notice on Relevant Issues Regarding the Improvement of Differential Mortgage Loan Policies (關於完善差別化住房信貸政策有關問題的通知), which prohibits the grant of new project bank loans or extension of credit facilities for all property development companies with non-compliance records regarding, among other things, holding idle land, changing the land use to that outside the scope of the designated purpose, postponing construction commencement or completion, or hoarding properties.

Trust financing

On March 1, 2007, The Measures for Administration of Trust Companies (信託公司管理辦法), which was promulgated by the CBRC on January 23, 2007, came into effect. For the purposes of these measures, "**Trust Financing Company**" shall mean any financial institution established pursuant to the PRC Company Law and these Measures, and that primarily engages in trust activities.

From October 2008 to November 2010, the CBRC issued several regulatory notices in relation to property activities conducted by Trust Financing Companies, including a Circular on Relevant Matters Regarding Strengthening the Supervision of the Real Estate and Securities Businesses of Trust Companies (關於加強信託公司房地產、證券業務監管有關問題的通知), promulgated by the CBRC on October 28, 2008 and became effective on the same date, pursuant to which Trust Financing Companies are restricted from providing trust loans, in form or in nature, to property projects that have not obtained the requisite land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits and the property projects of which less than 35% of the total investment is funded by the property developers' own capital (the 35% requirement was changed to 20% for affordable housing and ordinary commodity apartments, and to 30% for other property projects as provided by the Notice on Adjusting the Capital Ratio of Fixed Assets Investment Projects (關於調整固定資產投資項目資本金比例的通知) issued by the State Council on May 25, 2009). The qualification of the property development enterprises applying for trust loans could not be lower than Level II.

On November 22, 2017, the CBRC issued the Circular on Regulating the Bank-Trust Business (中國銀監會關於規範銀信類業務的通知), which provides that trust financing companies and commercial banks shall conduct the business within the limitation of relevant laws and regulations, and the trust funds may not be delivered illegally into restricted or prohibited areas including property development.

Housing loans to individual buyers

On April 17, 2010, the State Council issued the Notice on Strictly Restraining the Excessive Growth of the Property Prices in Some Cities (關於堅決遏制部分城市房價過快上漲的通知), pursuant to which, a stricter differential housing credit policy shall be enforced. It provides that, among other things, (i) for a family member who is a first-time home buyer (including the debtors, their spouses and their juvenile children, similarly hereinafter) of the apartment with a GFA more than 90 sq.m., a minimum 30% down payment shall be paid; (ii) for a family who applies loans for its second house, the down payment requirement is raised to at least 50% and also provides that the applicable mortgage rate must be at least 1.1 times of that of the corresponding benchmark interest rate over the same corresponding period published by the PBOC; and (iii) for those who purchase three or more houses, even higher requirements on both down payments and interest rates shall be levied. In addition, the banks may suspend housing loans to third or more home buyers in places where house prices rise excessively rapidly and high and housing supply is insufficient.

The Notice on Certain Matters Concerning Individual Housing Loan Policies (關於個人住房貸款政策有關問題的通知) promulgated by PBOC, MOHURD and CBRC on March 30, 2015 and became effective on the same date provides that where a household, which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 40% of the property price. The actual down payment ratio and loan interest rate should be determined by the banking financial institution concerned based on the borrower's credit record and financial condition. For working households that have contributed to the housing provident fund, when they use the housing provident fund loans to purchase an ordinary residential house as their first home, the minimum down payment shall be 20% of the house price; for working households that have contributed to the housing provident fund and that have already owned a home and have paid off the corresponding home loans, when they apply for the housing provident fund loans for the purchase of an ordinary residential house as their second property to improve their housing conditions, the minimum down payment shall be 30% of the property price.

The Notice of the People's Bank of China and the China Banking Regulatory Commission on Further Improving Differentiated Housing Credit Lending Policies (關於進一步完善差別化住房信貸政策有關問題的通知) issued by PBOC and CBRC on September 24, 2015, provides that in cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase its first ordinary housing property, the minimum down payment shall be adjusted to 25% of the house price. The minimum down payment ratio for the commercial personal housing loan of each city will be independently determined by each provincial pricing self-disciplinary mechanism of market interest based on the actual situation of each city under the guidance of PBOC and the CBRC local office.

The Notice on Adjustments in Respect of Certain Matters Concerning Individual Housing Loan Policies (關於調整個人住房貸款政策有關問題的通知), promulgated by PBOC and CBRC on February 1, 2016, provides that in the cities that control measures on property purchase are not imposed, where a household applies for the commercial personal housing loan to purchase its first ordinary housing property, the minimum down payment, in principle, shall be 25% of the property price and each city could adjust such ratio downwards by 5%; and where a household which has already owned a house and has not paid off the relevant housing loan, applies for another commercial personal housing loan to purchase another ordinary housing property for the purpose of improving living conditions, the minimum down payment is adjusted to 30% of the property price. In the cities that control measures on property purchase are imposed, the individual housing loan policies shall be adopted in accordance with the original regulations. The actual down payment ratio and loan interest rate shall be determined reasonably by the banking financial institutions based on the requirements of minimum down payment ratio determined by provincial pricing self-disciplinary mechanism of market interest, the loan-issuance policies and the risk control for commercial personal housing loan adopted by such banking financial institutions and other factors such as the borrower's credit record and capacity of repayment.

ENVIRONMENTAL PROTECTION

The laws and regulations governing the environmental requirements for the construction industry property development in China include the Environmental Protection Law of the PRC (中華人民共和國環境保護法), the Prevention and Control of Atmospheric Pollution Law of the PRC (中華人民共和國大氣污染防治法), the Prevention and Control of Water Pollution Law of the PRC (中華人民共和國水污染防治法), the Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (中華人民共和國固體廢物污染環境防治法), the Construction Law of the PRC (中華人民共和國建築法), the Prevention and Control of Noise Pollution Law of the PRC (中華人民共和國環境噪聲污染防治法), the Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法), the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例) and the Administrative Regulations on Environmental Protection for Acceptance Examination Upon Completion of Buildings (建設項目竣工環境保護驗收管理辦法). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact study report, an environmental impact analysis table or an environmental impact registration form shall be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the property development. In addition, upon completion of the property development, the relevant environmental authorities will also inspect the property to ensure compliance with the applicable environmental standards and regulations before the property can be delivered to the purchasers.

REGULATIONS ON FIRE PREVENTION MANAGEMENT

According to the Fire Prevention Law of the PRC (中華人民共和國消防法) promulgated by the SCNPC on April 29, 1998 and lately amended on April 23, 2019, fire prevention facilities design and works for construction projects shall conform to state's fire prevention technical standards for engineering construction. Supervision and Administration of Fire Prevention of Construction Projects (建設工程消防監督管理規定) promulgated by the Ministry of Public Security of the PRC (中華人民共和國公安部) on April 30, 2009, implemented on May 1, 2009 and later amended on July 17, 2012 and implemented on November 1, 2012 shall apply to the fire prevention supervision and administration of new construction, expansion, reconstruction (including indoor and outdoor improvement, thermal insulation in buildings and modification of uses) and other construction projects. This provision also specifies the procedure and standard for review of fire facilities design and acceptance of fire prevention facilities.

REGULATIONS ON CIVIL AIR DEFENSE PROPERTY

Pursuant to the PRC Law on National Defense (中華人民共和國國防法) promulgated by the NPC on March 14, 1997, as amended on August 27, 2009, national defense assets are owned by the state. Pursuant to the PRC Law on Civil Air Defense (中華人民共和國人民防空法), or the Civil Air Defense Law, promulgated by the SCNPC on October 29, 1996, as amended on August 27, 2009, civil air defense is an integral part of national defense. The Civil Air Defense Law encourages the public to invest in construction of civil air defense property and investors in civil air defense are permitted to use (including lease), manage the civil air defense property in time of peace and profit therefrom. However, such use may not impair their functions as air defense property. The design, construction and quality of the civil air defense properties must conform to the protection and quality standards established by the State. On November 1, 2001, the National Civil Air Defense Office issued the Administrative Measures for Developing and Using the Civil Air Defense Property at Ordinary Times (人民防空工程平時開發利用管理辦法) and the Administrative Measures for Maintaining the Civil Air Defense Property (人民防空工程維護管理辦法), which specify how to use, manage and maintain the civil air defense property.

INTELLECTUAL PROPERTY

Pursuant to the Trademark Law of the People's Republic of China (中華人民共和國商標法), which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27, 2001 and August 30, 2013 respectively as well as the Implementation Regulation of the Trademark Law of the People's Republic of China (中華人民共和國商標法實施條例) adopted by the State Council on August 3, 2002 and amended on April 29, 2014, trademarks are protected according to the aforesaid regulations. The Trademark Office under the State Administration for Industry and Commerce (which has merged into the State Administration for Market Regulation), handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term.

According to the Patent Law of the People's Republic of China (中華人民共和國專利法) amended on December 27, 2008 and the Detailed Rule for the Implementation of Patent Law amended on January 9, 2010 (中華人民共和國專利法實施細則), patent is divided into three categories: invention patent, utility patent, and design patent.

Invention patent is intended to protect new technical solution for a product. The applicant for invention patent must prove that the subject matter product possesses novelty, creativity and practical applicability. The grant of invention patent is subject to disclosure and publication. The patent administrative authority conducts a substantive review within three years from the date the application is filed. The term of protection is 20 years from the date of application.

Utility model patent is intended to protect new technical solution in relation to a product's shape, structure or a combination thereof, which is fit for practical use. The utility model patent is subject to the disclosure and publication upon application. The term of protection is 10 years from the date of application.

Design patent is intended to protect new design of a product's shape, pattern or combination thereof as well as its combination with the color and the shape or pattern of a product, which creates an aesthetic feeling and is fit for industrial application.

MEASURES ON STABILIZING HOUSING PRICES

Notice on Adjusting the Preferential Policies on Deed Tax and Business Tax During Real Estate Transactions (關於調整房地產交易環節契稅、營業稅優惠政策的通知) was jointly promulgated by MOF, SAT and MOHURD on February 17, 2016 and implemented on February 22, 2016. The business tax policy subject to the notice are as follows: when an individual resells his/her house to an external party within the two-year period from the purchase, he/she shall pay the full amount of business tax; when an individual resells his/her house to an external party after two years (including the second anniversary) from the purchase, he/she is exempted from paying business tax.

In accordance with Circular of the Ministry of Housing and Urban-Rural Development and the Ministry of Land and Resources on Tightening the Management and Control over Intermediate Residential Properties and Land Supply (住房城鄉建設部、國土資源部關於加強近期住房及用地供應管理和調控有關工作的通知) (promulgated and implemented on April 1, 2017 by MLR and MOHURD), in cities experiencing serious demand over supply and facing overheating markets, the supply of housing land, in particular those lands for ordinary commercial houses, shall be increased reasonably. In cities with excessive housing supply, the supply of housing land shall be reduced or even suspended. All the local authorities shall build an inspection system to ensure that the property developers are using their own legal funds to purchase land.

In May 2017, Zhangjiakou Municipal People's Government enacted Opinions on Accelerating Development of Housing Security and Supply to Promote the Stable and Healthy Development of the Property Market (張家口市人民政府關於加快住房保障和供應體系建設促進房地產市場平穩健康發展的意見). The policy aims to develop a well-established property market, including home purchase restriction. For example, in city center, local households with one home and all non-local households can only purchase one more home in city center. For local households with one home, the percentage of down payment is much higher than those who purchase the first home.

In May 2017, Baoding Municipal People's Government enacted Opinions on Reinforcing Property Market Management (保定市人民政府關於加強房地產市場管理的意見), based on Opinions on Further Developing the Property Market Healthily (關於進一步促進全省房地產市場平穩健康發展的實施意見) enacted by the People's Government of Hebei Province, to maintain the property market steady, healthy and sustainable, and to support the establishment of Xiong'an New Area. The opinions strictly restrict the residents on home purchase. For example, local households with over two homes in city center and non- local households with over one home in city center cannot purchase homes any more.

In March 2017, Zhuozhou Municipal People's Government enacted Opinions on Maintaining the Stable and Healthy Development of the Property Market (涿州市人民政府關於保持房地產市場平穩健康發展的實施意見). The policy aims to maintain a well-ordered property market, including home purchase restriction. For example, non-local households can only purchase one home and the percentage of down payment could not be lower than 30%. For local households with one home, the second home percentage of down payment could not be lower than 50%.

CONSTRUCTION SAFETY

The Work Safety Law of the PRC (中華人民共和國安全生產法) issued on June 29, 2002, last amended on August 31, 2014 and became effective on December 1, 2014, provides that a production enterprise must meet the national 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.

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) issued on November 24, 2003 and became effective on February 1, 2004, 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.

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), the competent construction administrations under the PRC Government at the county level or above shall carry out supervision and administration of work safety of the construction projects within the relevant administrative areas.

Work safety accidents regulations

Pursuant to the Regulations on the Reporting, Investigation and Handling of Work Safety Accidents (生產安全事故報告和調查處理條例) issued on April 9, 2007 and became effective on June 1, 2007, work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorized as follows:

- 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;

- Significant accidents shall refer to accidents that cause more than 10 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;

- Relatively significant accidents shall refer to accidents that cause more than 3 deaths but less than 10 deaths, or serious injuries of more than 10 people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and

- General accidents shall refer to accidents that cause less than 3 deaths, or serious injuries of less than 10 people, or direct economic losses of less than RMB10 million.

Work safety permits

Pursuant to the Work Safety Law of PRC, the Regulation on the Work Safety Permits (安全生產許可證條例) issued on January 13, 2004 and last amended on July 29, 2014, the Regulation on the Administration of Work Safety of Construction Projects, 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), 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 Work Safety 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.

The competent department of construction shall, when making examination and issuing a construction license, examine whether the construction enterprise has obtained a work safety license. If the enterprise failed to obtain a work safety license, it shall not be issued a construction license.

If a construction enterprise suffers any major safety accidents, its work safety permit will be suspended temporarily and it shall make rectification within a prescribed time.

FOREIGN CURRENCY EXCHANGE

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administrative Regulations (外匯管理條例) (the "**SAFE Regulations**") which was promulgated by the State Council and last amended on August 5, 2008. Under the SAFE Regulations, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the State Administration of Foreign Exchange (the "**SAFE**") is obtained. Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "**Circular 13**"), which was promulgated by SAFE on February 13, 2015, the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment is directly reviewed and handled by banks in accordance with the Circular 13, and the SAFE and its branches shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

TAXES

Corporate income tax

Pursuant to the Enterprises Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") which was promulgated on March 16, 2007 and last amended on December 29, 2018, and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法實施條例) which was promulgated on December 6, 2007 with effect from January 1, 2008, and was last amended on April 23, 2019 with effect from the same date, the income tax for both domestic and foreign-invested enterprises is at the same rate of 25%. Furthermore, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in China, shall pay enterprise income tax originating both within and outside the PRC. While non-resident enterprises that have set up institutions or premises in China shall pay enterprise income tax in relation to the income originating from the PRC and obtained by their institutions or establishments, and the income incurred outside the PRC but there is an actual relationship with the institutions or establishments set up by such enterprises. Where non-resident enterprises that have not set up institutions or establishments in China, or where institutions or establishments are set up but there is no actual relationship with the income obtained by the institutions or establishments set up by such enterprises, they shall pay enterprise income tax in relation to the income originating from the PRC.

In addition, pursuant to the Arrangement between Mainland China and Hong Kong for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) signed on August 21, 2006 and applicable to income derived in any year of assessment commencing on or after April 1, 2007 and in Mainland China to any year commencing on or after January 1, 2007, a company incorporated in Hong Kong will be subject to withholding income tax at a rate of 5% on dividends it receives from its PRC subsidiaries if it holds a 25% or more of equity interest in each such PRC subsidiary at the time of the distribution, or 10% if it holds less than a 25% equity interest in that subsidiary. According to the Notice of SAT on issues regarding the Administration of Dividend Provisions in Tax Treaties (國家稅務總局關於執行稅收協定股息條款有關問題的通知), which was promulgated on February 20, 2009, recipients of dividends paid by PRC enterprises must satisfy certain requirements in order to obtain a preferential income tax rate pursuant to a tax treaty. One such requirement is that the taxpayer must be the "beneficiary owner" of relevant dividends. In order for a corporate recipient of dividends paid by a PRC enterprise to enjoy preferential tax treatment pursuant to a tax treaty, such recipient must be the direct owner of a certain proportion of the share capital of the PRC enterprise at all times during the 12 months preceding its receipt of the dividends. In addition, the Notice of the SAT on Issues Concerning "Beneficiary Owner" in Tax Treaties (國家稅務總局關於稅收協定中"受益所有人"有關問題的公告), promulgated by SAT on February 3, 2018, narrowed the scope of "beneficiary owners" to individuals, enterprises or other organizations who "normally engage in substantive operations," and introduced various factors to adversely impact the recognition of such "beneficiary owners." On August 27, 2015, SAT issued the Announcement of the State Administration of Taxation on Promulgation of the "Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties" (國家稅務總局關於發佈＜非居民納稅人享受稅收協定待遇管理辦法＞的公告), which became effective on November 1, 2015, amended on June 15, 2018 and applies to entitlement to tax treaty benefits by non-resident taxpayers incurring tax payment obligation in China. According to the Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties, non-resident taxpayers who make their own declaration shall make self-assessment regarding whether they are entitled to tax treaty benefits and submit the relevant reports, statements and materials stipulated in Article 7 of the Measures. Also, all levels of tax authorities shall, through strengthening follow-up administration for non-resident taxpayers' entitlement to tax treaty benefits, implement tax treaties and international transport agreements accurately, and prevent abuse of tax treaties and tax evasion and tax avoidance risks.

Value-added tax

The Notice of the Ministry of Finance and the State Administration of Taxation on Overall Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (財政部、國家稅務總局關於全面推開營業稅改徵增值稅試點的通知), promulgated by MOF and SAT on March 23, 2016 and amended on July 11, 2017 and March 20, 2019 lastly, provides that upon approval by the State Council, the pilot program of replacing business tax with value-added tax shall be implemented nationwide from May 1, 2016 and all business tax payers in construction industry, property industry, finance industry and consumer service industry, etc. shall be included in the scope of the pilot program and pay value-added tax instead of business tax. According to the appendix of this notice, entities and individuals engaging in the sale of services, intangible assets or property within the territory of the PRC shall be the taxpayers of value-added tax ("**VAT**") and shall, instead of business tax, pay VAT in accordance with Measures for Implementation of the Pilot Program of Replacing Business Tax with Value-added Tax (營業稅改徵增值稅試點實施辦法). The sale of property and the secondhand housing transaction and construction business shall adopt this notice.

Land appreciation tax

Under the Interim Regulations on Land Appreciation Tax of the PRC (中華人民共和國土地增值稅暫行條例) promulgated by the State Council on December 13, 1993 and last amended on January 8, 2011 as well as its implementation rules (中華人民共和國土地增值稅暫行條例實施細則) issued on January 27, 1995, LAT is payable on the appreciation value derived from the transfer of land use rights and buildings or other facilities on such land, after deducting the deductible items.

Deed tax

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

Urban land use tax

Pursuant to the Provisional Regulations of the PRC Governing Land Use Tax in Urban Areas (中華人民共和國城鎮土地使用稅暫行條例) promulgated by the State Council on September 27, 1988, and last amended on March 2, 2019, land use tax in respect of urban land is levied according to the area of relevant land.

Building tax

In accordance with the PRC Provisional Rules on Real Estate Tax (中華人民共和國房產稅暫行條例) promulgated by the State Council on September 15, 1986 and amended on January 8, 2011 and the PRC State Council Order 546 (中華人民共和國國務院令2008第546號), for enterprises in PRC, no matter domestic or foreign-invested, the building tax is calculated at the rate of 1.2% on the residual value of self-owned property or at the rate of 12% on rental income derived from property.

Stamp duty

Under the Interim Regulations of the PRC on Stamp Duty (中華人民共和國印花稅暫行條例) promulgated by the State Council on August 6, 1988 and implemented on October 1, 1988 and amended on January 8, 2011, for property transfer instruments, including those in respect of property ownership transfer, the stamp duty rate shall be 0.05% of the amount stated therein; for permit and certificates relating to rights, including property title certificates and land use rights certificates, stamp duty shall be levied on an item basis of RMB5 per item.

Municipal maintenance tax and education surcharge

On October 18, 2010, the State Council issued Notice Issued by the State Council to Unify the Collection of Municipal Maintenance and Construction Tax and Education Surcharges on Domestic and Foreign- Invested Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) to resume the collection of surtaxes from foreign invested enterprises, foreign enterprises and individuals, and the notice aforesaid became effective from December 1, 2010. Similar to the rate applicable to the domestic enterprises, the applicable municipal maintenance tax rate for foreign invested enterprises and foreign enterprises and individuals is 7% for a taxpayer whose domicile is in an urban area, 5% for a taxpayer whose domicile is in a county or a town, and 1% for a taxpayer whose domicile is not in any urban area or county or town; the unified applicable education surcharge rate for foreign invested enterprises and foreign enterprises and individuals is 3%.

LABOR PROTECTION AND SOCIAL SECURITY

Pursuant to the Labor Law of the PRC (中華人民共和國勞動法) and the Labor Contract Law of the PRC (中華人民共和國勞動合同法) which were separately with effect from January 1, 1995 (amended on December 29, 2018) and January 1, 2008 (amended on December 28, 2012), respectively, labor contracts shall be concluded if labor relationships are to be established between the employer and the employees.

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

HISTORY AND DEVELOPMENT

Our History and Founder

Our history can be traced back to March 1998, when Mr. Li (being our Controlling Shareholder and founder) established Tianbao Construction Group (previously known as Zhuozhou City Tianma Construction Co., Ltd. (涿州市天馬建築工程有限公司)) together with his spouse, Ms. Zhou with an initial registered capital of RMB5,100,000, which was funded by the personal financial resources of Mr. Li and Ms. Zhou. Tianbao Construction Group is principally engaged in properties construction contracting.

In 2001, we further expanded our business to properties development and established Tianbao Property Development on May 10, 2001 with an initial registered capital of RMB2,000,000, which was fully paid up in the form of in-kind contributions on April 30, 2001. Upon its establishment, Tianbao Property Development was owned as to 30%, 67%, 1%, 1% and 1% by Tianbao Construction Group, Ms. Zhou, two of our employees and a former employee, respectively.

See "— Corporate Development" for further details of Tianbao Construction Group and Tianbao Property Development.

Mr. Li has over 33 years of experience in properties development and construction contracting industry. See "Directors and Senior Management" for further details.

Key Business Milestones

The following table sets forth the key business milestones of our Group:

Year	Milestone
1998	• We established Zhuozhou City Tianma Construction Co., Ltd. (涿州市天馬建築工程有限公司) (now known as Tianbao Construction Group) and commenced our properties construction contracting business in March 1998.
2001	• We established Tianbao Property Development and commenced our properties development business in May 2001.
2005	• We obtained the first grade qualifications in general contracting construction engineering (建築工程施工總承包) and engineering specialized contracting for ancient buildings (古建築工程專業承包) in November 2005.
2009	• We obtained the first grade qualifications in renovation and decoration construction specialized contracting in July 2009.
	• We obtained the first grade qualifications in steel structure construction specialized contracting in December 2009.
2010	• We obtained the first-degree qualification in property development in May 2010.

Year	Milestone
2016	• We obtained National High Quality Project Award (國家優質工程獎) for our projects of Zhangbei Lansheng Tower (張北攬勝樓) and Simian Paifang (四面牌坊) in December 2016.
	• Mr. Li obtained Outstanding Contribution Award of National High Quality Project Award (國家優質工程獎突出貢獻者) in December 2016.
2017	• We obtained The Lu Ban Award (魯班獎) for our project of Baoxin International Building (保鑫國際大廈) in November 2017.
	• We obtained qualifications in building construction general contracting (premium) (建築工程施工總承包特級) and engineering design construction industry (construction, civil defense projects) (grade A) (工程設計建築行業(建築工程、人防工程)甲級證書) in November 2017.
	• We obtained National High Quality Project Award (國家優質工程獎) for our project of Zhangbei Nanshan Temple (張北縣南山寺) in December 2017.
2018	• We obtained the High Quality Award granted by Zhuozhou County government (涿州市政府質量獎) in December 2018.
	• We were awarded the brand enterprise in property industry in Hebei Province (河北省房地產行業品牌企業).
	• We became a member of Chinese Real Estate Association (中國房地產協會理事單位).

Corporate Development

As of the Latest Practicable Date, our Group had established and/or acquired seven of our PRC subsidiaries with business operation. The following table sets forth the corporate information of the seven PRC subsidiaries as of the Latest Practicable Date:

No.	Name of our PRC subsidiary	Date of Establishment	Principal Business Activities	Effective equity interests owned by our Company
1.	Tianbao Construction Group	March 18, 1998	Properties construction contracting	100%
2.	Tianbao Property Development	May 10, 2001	Properties development	100%
3.	Zhuozhou City Mingyang Property *(Note 1)*	July 4, 2006	Properties development	100%
4.	Zhangbei Tianbao Hengqi Property *(Note 2)*	October 8, 2013	Properties development	100%
5.	Huailai Tianbao Property Development	August 23, 2016	Properties development	100%
6.	Yuxian Tianbao Property Development	June 30, 2017	Properties development	100%
7.	Chengdu Tianbao Property Development	April 10, 2018	Properties development	100%

Notes:

(1) In June 2016, we acquired the entire equity interests in Zhuozhou City Mingyang Property from two Independent Third Parties for a total consideration of RMB5,000,000. The consideration was determined with reference to the then paid-up registered capital of Zhuozhou City Mingyang Property, and was settled in December 2016.

(2) Tianbao Property Development held the entire equity interests in Zhangbei Tianbao Hengqi Property as trustee for and on behalf of Zhangbei Tianbao Investment Management Co., Ltd. (張北天保投資管理有限公司) ("**Zhangbei Tianbao**") which was held as to 80% by Mr. Li Yaruixin (李亞睿鑫), the son of Mr. Li and our executive Director, and 20% by an Independent Third Party (the "**First Tier Trust Arrangement**"). Mr. Li Yaruixin held 80% equity interests in Zhangbei Tianbao as trustee for and on behalf of Mr. Li (the "**Second Tier Trust Arrangement**"). Given Tianbao Property Development's experience and reputation in the market, Zhangbei Tianbao requested Tianbao Property Development to enter into the First Tier Trust Arrangement at that time. Mr. Li Yaruixin, the nominee shareholder of Zhangbei Tianbao, is the son of Mr. Li. Mr. Li requested Mr. Li Yaruixin to enter into the Second Tier Trust Arrangement to provide his family member with more opportunities to directly involve in the management of Zhangbei Tianbao. The First Tier Trust Arrangement was released and terminated on February 1, 2019. After termination and release of the First Tier Trust Arrangement, the shares in Zhangbei Tianbao Hengqi Property were directly held by Tianbao Property Development.

During the Track Record Period, we carried out our business mainly through Tianbao Construction Group, Tianbao Property Development and its subsidiaries, which primarily engaged in (i) properties construction contracting, and (ii) properties development.

Tianbao Construction Group

Tianbao Construction Group (previously known as Zhuozhou City Tianma Construction Co., Ltd. (涿州市天馬建築工程有限公司)), was established on March 18, 1998 with an initial registered capital of RMB5,100,000, of which RMB100,000 was contributed by Ms. Zhou in cash, RMB2,400,000 was contributed by Mr. Li in cash and RMB2,600,000 was in-kind contribution by Mr. Li. The initial registered capital was fully paid up on April 15, 1998. Upon its establishment, Tianbao Construction Group was owned as to approximately 98.04% by Mr. Li and approximately 1.96% by Ms. Zhou.

After a series of capital increase from August 1998 to June 2004, Tianbao Construction Group was owned as to 99% by Mr. Li and 1% by Ms. Zhou. The increased registered capital had been fully paid up by its then shareholders.

On November 12, 2007, the registered capital of Tianbao Construction Group was increased by RMB40,000,000 from RMB60,000,000 to RMB100,000,000, of which RMB20,600,000 was contributed by Mr. Li, RMB10,000,000 was contributed by Mr. Li Yaruixin, our executive Director, and RMB9,400,000 was contributed by Ms. Zhou. The increased registered capital was fully paid up by its then shareholders on November 20, 2007. Upon completion of the capital increase, Tianbao Construction Group was owned as to 80%, 10% and 10% by Mr. Li, Mr. Li Yaruixin and Ms. Zhou, respectively.

On January 25, 2010, Ms. Zhou transferred her entire equity interests in Tianbao Construction Group to Mr. Li for a consideration of RMB10,000,000, which was determined with reference to its then registered capital and was settled in December 2010. On the same day, Mr. Li Yaruixin transferred 5% equity interests in Tianbao Construction Group to each of Ms. Li Yaruimei (李亞睿美) and Ms. Wang Xinling, an executive Director, for a total consideration of RMB10,000,000, which was determined with reference to the then registered capital of Tianbao Construction Group and was settled in December 2010. Ms. Li Yaruimei is the daughter of Mr. Li and Ms. Wang Xinling is the niece-in-law of Mr. Li. Ms. Li Yaruimei and Ms. Wang Xinling held the equity interests in Tianbao Construction Group as nominee shareholders for and on behalf of Mr. Li and the total consideration of RMB20,000,000 for the above equity transfers was paid by Mr. Li as the beneficial owner. Mr. Li set up these trust arrangements to provide his family members with more opportunities to directly involve in the management of Tianbao Construction Group and to encourage his family members to assist him on the daily operation of Tianbao Construction Group. Mr. Li considers that given Ms. Wang Xinling's experience and exposure in China construction industry, Ms. Wang Xinling, in her capacity as the nominee shareholder of Tianbao Construction Group, can better explore business opportunities for Tianbao Construction Group. Upon completion of the equity transfers, Tianbao Construction Group was held as to 90%, 5% and 5% by Mr. Li, Ms. Li Yaruimei, and Ms. Wang Xinling.

After a series of capital increase from July 2012 to May 2018, Tianbao Construction Group was held as to approximately 97.78%, 1.11% and 1.11% by Mr. Li, Ms. Li Yaruimei and Ms. Wang Xinling. The increased registered capital had been fully paid up by Mr. Li, the beneficial owner of Tianbao Construction Group.

In preparation for the Listing, we underwent the Reorganization. For details, see "— Reorganization." Upon completion of the Reorganization, Tianbao Construction Group became one of our subsidiaries.

Tianbao Property Development

Tianbao Property Development was established on May 10, 2001 with an initial registered capital of RMB2,000,000, which was fully paid up in the form of in-kind contributions on April 30, 2001. Upon its establishment, Tianbao Property Development was owned as to 30%, 67%, 1%, 1% and 1% by Tianbao Construction Group, Ms. Zhou, two of our employees, and a former employee, respectively. Ms. Zhou held the equity interests in Tianbao Property Development as nominee shareholder for and on behalf of Mr. Li. The capital contribution of RMB1,340,000 by Ms. Zhou was actually contributed by Mr. Li as the beneficial owner. The purpose of such trust arrangement was to encourage Ms. Zhou to assist him on the daily operation of Tianbao Property Development.

After a series of capital increase from February 2003 to September 2005, the registered capital of Tianbao Property Development was increased to RMB25,000,000. Tianbao Property Development was then held as to 60.0%, 11.2%, 9.6%, 9.6% and 9.6% by Tianbao Construction Group, Ms. Zhou, two of our employees and a former employee, respectively. The increased registered capital had been fully paid up.

On November 2, 2007, the registered capital of Tianbao Property Development was increased from RMB25,000,000 to RMB60,000,000, of which RMB1,800,000, RMB1,000,000, RMB30,000,000 and RMB2,200,000 was contributed by Mr. Li, Mr. Li Yaruixin, Tianbao Construction Group and Ms. Zhou, respectively. Mr. Li Yaruixin and Ms. Zhou held the equity interests in Tianbao Property Development as nominee shareholders for and on behalf of Mr. Li. The capital contributions of RMB3,200,000 by Ms. Zhou and Mr. Li Yaruixin was actually contributed by Mr. Li as the beneficial owner. In other words, Mr. Li contributed RMB5,000,000 in total. The purpose of such trust arrangements was to provide his family members with more opportunities to directly involve in the management of Tianbao Property Development and encourage his family members to assist him on the daily operation of Tianbao Property Development. Given Mr. Li Yaruixin's experience and exposure in China construction industry, Mr. Li Yaruixin, in his capacity as the nominee shareholder of Tianbao Property Development, can better explore business opportunities for Tianbao Property Development. The increased registered capital was fully paid up on November 6, 2007. Upon completion of the capital increase, Tianbao Property Development was held as to 75.00%, 8.33%, 4.00%, 4.00%, 4.00%, 3.00% and 1.67% by Tianbao Construction Group, Ms. Zhou, two of our employees and a former employee, Mr. Li and Mr. Li Yaruixin, respectively.

On January 7, 2009, the two employees and the former employee transferred their entire equity interests in Tianbao Property Development to Mr. Li Yaruixin, Mr. Li and Ms. Zhou for total consideration of RMB7,200,000, which was determined with reference to its then registered capital and was settled in January 2009. Mr. Li Yaruixin and Ms. Zhou held the equity interest in Tianbao Property Development as nominee shareholders for and on behalf of Mr. Li and the total consideration of RMB7,200,000 was paid by Mr. Li as the beneficial owner. Upon completion of the equity transfers, Tianbao Property Development was held as to 75.00%, 12.33%, 7.00% and 5.67% by Tianbao Construction Group, Ms. Zhou, Mr. Li and Mr. Li Yaruixin, respectively.

On October 15, 2009, Tianbao Construction Group and Mr. Li transferred their entire equity interests in Tianbao Property Development to Ms. Zhou and Mr. Li Yaruixin for a total consideration of RMB49,200,000, which was determined with reference to its then registered capital and was settled in October 2009. Mr. Li Yaruixin and Ms. Zhou held the equity interests in Tianbao Property Development as nominee shareholders for and on behalf of Mr. Li. The consideration of RMB49,200,000 was fully paid by Mr. Li. Upon completion of the equity transfers, Tianbao Property Development was held as to 87.33% by Ms. Zhou, and 12.67% by Mr. Li Yaruixin.

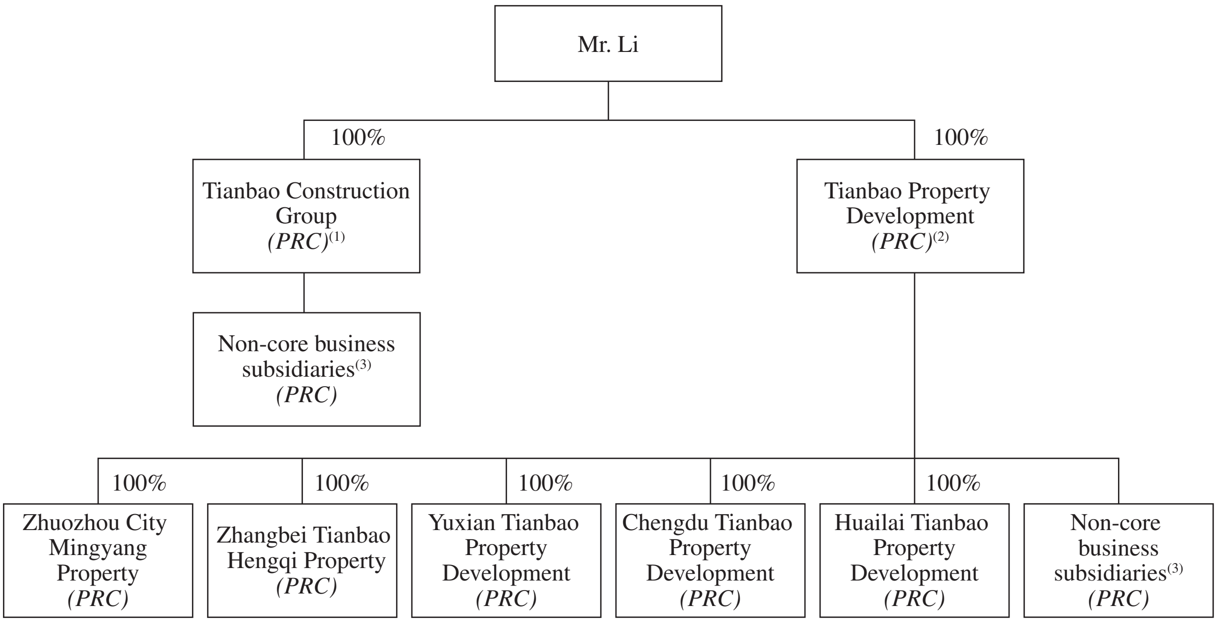
After a series of capital increase from November 2009 to November 2014, the registered capital of Tianbao Property Development was held as to 60% by Ms. Zhou and 40% by Mr. Li Yaruixin. The increased registered capital was fully paid up by Mr. Li, the beneficial owner.

In preparation for the Listing, we underwent the Reorganization. For details, see "— Reorganization." Upon completion of the Reorganization, Tianbao Property Development became one of our subsidiaries.

REORGANIZATION

As part of our reorganization in contemplation of the Listing, we have implemented the reorganization (the "**Reorganization**"), which can be broadly categorized into two parts: (1) the onshore reorganization (the "**Onshore Reorganization**"), which comprises steps undertaken in respect of our subsidiaries in China, and (2) the offshore reorganization (the "**Offshore Reorganization**"), which comprises steps undertaken in respect of the Company and our subsidiaries outside the PRC.

The following chart sets forth the shareholding structure of our Group immediately before the Reorganization.



Notes:

(1) Ms. Wang Xinling held 1.11% equity interests in Tianbao Construction Group as nominee shareholder for and on behalf of Mr. Li. Ms. Wang Xinling is the niece-in-law of Mr. Li.

Ms. Li Yaruimei held 1.11% equity interests in Tianbao Construction Group as nominee shareholder for and on behalf of Mr. Li. Ms. Li Yaruimei is the daughter of Mr. Li.

(2) Ms. Zhou held 60% equity interests in Tianbao Property Development as nominee shareholder for and on behalf of Mr. Li. Ms. Zhou is the spouse of Mr. Li.

Mr. Li Yaruixin held 40% equity interests in Tianbao Property Development as nominee shareholder for and on behalf of Mr. Li. Mr. Li Yaruixin is the son of Mr. Li.

(3) The non-core business subsidiaries include the subsidiaries as stated in the "— Major Historical Disposals".

The Onshore Reorganization

Disposal of Non-Core Business Subsidiaries

To streamline our business in preparation for the Listing, we disposed of certain non-core business subsidiaries. For details, see "— Major Historical Disposals."

Termination and Release of Trust Arrangements

On February 1, 2019, Zhangbei Tianbao, Tianbao Property Development, Zhangbei Tianbao Hengqi Property, Mr. Li Yaruixin and Mr. Li entered into an agreement on termination and release of trust arrangement, pursuant to which the parties thereunder agreed to terminate and release the First Tier Trust Arrangement and Tianbao Property Development agreed to pay RMB5,000,000 to Zhangbei Tianbao as a consideration for termination and release of the First Tier Trust Arrangement. The consideration was determined based on the then registered capital of Zhangbei Tianbao Hengqi Property. Upon completion of the termination and release of the First Tier Trust Arrangement, Zhangbei Tianbao Hengqi Property was directly held by Tianbao Property Development.

Establishment of Tianbao Corporate Management and Zhuozhou Tianbao Industrial

Mr. Li, our Controlling Shareholder, established Tianbao Corporate Management in China with limited liability on October 30, 2018. The initial registered capital of Tianbao Corporate Management was RMB50,000,000 and was fully paid up by Mr. Li. China Tianbao International established Zhuozhou Tianbao Industrial in China with limited liability on March 18, 2019. The initial registered capital of Zhuozhou Tianbao Industrial was HK$10,000,000. As of the Latest Practicable Date, the registered capital has not yet been paid up.

Acquisition of 99% Equity Interests in Tianbao Property Development and 99% Equity Interests in Tianbao Construction Group by Tianbao Corporate Management

On March 1, 2019, Tianbao Corporate Management entered into an equity transfer agreement with Mr. Li, Ms. Wang Xinling and Ms. Li Yaruimei, pursuant to which Tianbao Corporate Management agreed to acquire from Mr. Li, Ms. Wang Xinling and Ms. Li Yaruimei 96.78%, 1.11% and 1.11% equity interests in Tianbao Construction Group for considerations of RMB1,016,157,500, RMB11,654,600 and RMB11,654,600, respectively. The considerations were determined with reference to the then net asset value of Tianbao Construction Group. The acquisitions were completed on March 13, 2019.

On March 1, 2019, Tianbao Corporate Management entered into an equity transfer agreement with Ms. Zhou and Mr. Li Yaruixin, pursuant to which Tianbao Corporate Management agreed to acquire from Ms. Zhou and Mr. Li Yaruixin 59% and 40% equity interests in Tianbao Property Development for considerations of RMB177,834,500 and RMB120,565,800, respectively. The considerations were determined with reference to the then net asset value of Tianbao Property Development. The acquisitions were completed on March 13, 2019.

Upon completion of the acquisitions, Tianbao Construction Group was owned as to 99% by Tianbao Corporate Management and 1% by Mr. Li and Tianbao Property Development was owned as to 99% by Tianbao Corporate Management and 1% by Ms. Zhou, respectively.

Increase in Registered Capital of Tianbao Corporate Management

On March 18, 2019, the registered capital of Tianbao Corporate Management was increased from RMB50,000,000 to RMB1,352,000,000 by Mr. Li in cash. The increased registered capital was fully paid up by Mr. Li as of March 29, 2019. The capital increase was completed on March 29, 2019.

Acquisition of 1% Equity Interest in Tianbao Corporate Management by the Pre-IPO Investor

On March 20, 2019, Mr. Li entered into the Pre-IPO Investment Agreement with Ms. Wu Mengxia (吳夢夏) ("**Ms. Wu**") (being the Pre-IPO Investor), pursuant to which Ms. Wu agreed to acquire 1% equity interest in Tianbao Corporate Management from Mr. Li at a consideration of RMB13,520,000, which was determined with reference to the valuation of Tianbao Corporate Management prepared by an independent valuer and growth potential of our business as assessed by the parties and after arm's length negotiations. According to the report prepared by the independent valuer, the then valuation of Tianbao Corporate Management was RMB1,352,000,000. The acquisition was completed on March 26, 2019. Upon completion of the acquisition, Tianbao Corporate Management was owned as to 99% by Mr. Li and 1% by Ms. Wu, respectively. For details of the Pre-IPO Investment, see "—Pre-IPO Investment."

Acquisition of 1% Equity Interest in Tianbao Property Development and 1% Equity Interest in Tianbao Construction Group by Tianbao Corporate Management

On March 22, 2019, Tianbao Corporate Management entered into an equity transfer agreement with Mr. Li, pursuant to which Tianbao Corporate Management agreed to acquire 1% equity interest in Tianbao Construction Group from Mr. Li at a consideration of RMB10,499,700.60, which was determined with reference to the valuation of Tianbao Construction Group. The acquisition was completed on March 26, 2019.

On March 22, 2019, Tianbao Corporate Management entered into an equity transfer agreement with Ms. Zhou, pursuant to which Tianbao Corporate Management agreed to acquire 1% equity interest in Tianbao Property Development from Ms. Zhou at a consideration of RMB3,014,144.81, which was determined with reference to the valuation of Tianbao Property Development. The acquisition was completed on March 26, 2019.

Upon completion of the acquisitions, Tianbao Corporate Management held the entire equity interests in Tianbao Construction Group and Tianbao Property Development and Ms. Wang Xinling, Ms. Li Yaruimei, Ms. Zhou and Mr. Li Yaruixin ceased to be the nominee shareholders of Tianbao Construction Group and Tianbao Property Development.

Acquisition of Tianbao Corporate Management by Zhuozhou Tianbao Industrial and Fine Credit Investment

On April 7, 2019, Zhuozhou Tianbao Industrial entered into an equity transfer agreement with Mr. Li, pursuant to which Zhuozhou Tianbao Industrial agreed to acquire from Mr. Li 99% equity interests in Tianbao Corporate Management at a consideration of RMB1,338,480,000, which was determined with reference to the valuation of Tianbao Corporate Management prepared by an independent valuer. According to the report prepared by the independent valuer, the then valuation of Tianbao Corporate Management was RMB1,352,000,000. The consideration was fully settled in April 2019.

On April 7, 2019, Fine Credit Investment entered into an equity transfer agreement with Ms. Wu, pursuant to which Fine Credit Investment agreed to acquire from Ms. Wu 1% equity interests in Tianbao Corporate Management at a consideration of HK$1.00. At the material time, Fine Credit Investment was wholly owned by Ms. Wu.

The acquisitions were completed on April 16, 2019. Upon completion of the acquisitions, Tianbao Corporate Management was owned as to 99% by Zhuozhou Tianbao Industrial and 1% by Fine Credit Investment.

Our PRC Legal Advisors confirmed that, all the equity transfers and changes in registered capital in respect of our PRC subsidiaries as described above and the Onshore Reorganization have been conducted in compliance with applicable PRC laws and regulations and have been legally completed and duly registered with local registration authorities of the PRC.

The Offshore Reorganization

Incorporation of investment holding company by Mr. Li

On November 15, 2018, Jixiang International Industrial was incorporated in the BVI with liability limited by shares with par value of US$1.00 each. On the same day, one ordinary share in Jixiang International Industrial was allotted and issued as fully paid to Mr. Li for a consideration of US$1.00. As a result, Mr. Li was interested in the only issued share of Jixiang International Industrial.

Incorporation of our Company

On November 16, 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with par value of HK$0.01 each. On November 16, 2018, one Share was allotted and issued at par to the initial subscriber and was subsequently transferred to Mr. Li on the same day. On November 16, 2018, 99 Shares, credited as fully paid at par, were allotted and issued to Mr. Li. Upon completion of the allotment, Mr. Li was interested in the entire issued share capital of our Company.

Incorporation of our offshore subsidiaries

Tianbao China Holdings

On November 15, 2018, Tianbao China Holdings was incorporated in the BVI with liability limited by shares with par value of US$1.00 each. On the same day, one ordinary share in Tianbao China Holdings was allotted and issued as fully paid to Mr. Li for a consideration of US$1.00. As a result, Mr. Li was interested in the only issued share of Tianbao China Holdings.

China Tianbao International

On December 6, 2018, China Tianbao International was incorporated in Hong Kong. On the same day, 100,000 shares in China Tianbao International were allotted and issued to Mr. Li for a consideration of HK$100,000. As a result, Mr. Li was interested in the entire issued share capital of China Tianbao International.

Transfer of the entire issued share capital of China Tianbao International from Mr. Li to Tianbao China Holdings

Pursuant to an instrument of transfer of China Tianbao International dated January 7, 2019 and entered into between Mr. Li and Tianbao China Holdings, Mr. Li transferred his entire interests in China Tianbao International (being 100,000 shares) to Tianbao China Holdings, in consideration for which, Tianbao China Holdings allotted and issued one ordinary share, credited as fully paid at par, to Mr. Li on the same day. Upon completion of the transfer and allotment, China Tianbao International became wholly owned by Tianbao China Holdings.

Transfer of all the issued shares in Tianbao China Holdings from Mr. Li to our Company

Pursuant to an instrument of transfer of Tianbao China Holdings dated January 7, 2019 and entered into between Mr. Li and our Company, Mr. Li transferred his entire interests in Tianbao China Holdings (being two ordinary shares of par value US$1.00 each) to our Company, in consideration for which, our Company allotted and issued one Share, credited as fully paid at par, to Mr. Li on the same day. Upon completion of the transfer and allotment, Tianbao China Holdings became wholly owned by our Company. As a result, China Tianbao International became indirectly wholly owned by our Company through Tianbao China Holdings.

Transfer of entire issued share capital of our Company from Mr. Li to Jixiang International Industrial

Pursuant to an instrument of transfer of our Company dated January 7, 2019 and entered into between Mr. Li and Jixiang International Industrial, Mr. Li transferred 101 Shares, being his entire interests in our Company, to Jixiang International Industrial, in consideration for which, Jixiang International Industrial allotted and issued one ordinary share, credited as fully paid at par, to Mr. Li on the same day. Upon completion of the transfer and allotment, our Company was wholly owned by Jixiang International Industrial.

Allotment to Jixiang International Industrial

On April 28, 2019, our Company allotted and issued 889 Shares, credited as fully paid at par, to Jixiang International Industrial, for cash consideration.

Share swap

In contemplation of the Listing, the Pre-IPO Investor has incorporated a few holding companies outside the PRC, namely Golden Foal Investments, Excel Thrive Developments and Fine Credit Investment. On April 2, 2019, Ms. Wu transferred the entire issued share capital in Fine Credit Investment to Excel Thrive Developments which was wholly owned by Golden Foal Investments. Following such transfer, Fine Credit Investment was indirectly wholly owned by Ms. Wu.

On April 29, 2019, our Company acquired all the issued shares of Excel Thrive Development from Golden Foal Investments (a company wholly owned by Ms. Wu), in consideration for which our Company allotted and issued 10 Shares, representing 1% of the entire issued share capital of our Company, credited as fully paid at par, to Golden Foal Investments. Upon completion of the share swap, our Company is owned as to 99% by Jixiang International Industrial and 1% by Golden Foal Investments, and Excel Thrive Development became wholly owned by our Company.

PRE-IPO INVESTMENT

Overview

On March 20, 2019, Mr. Li entered into the Pre-IPO Investment Agreement with Ms. Wu (being the Pre-IPO Investor), pursuant to which Ms. Wu agreed to acquire 1% equity interest in Tianbao Corporate Management from Mr. Li at a consideration of RMB13,520,000, which was determined with reference to the valuation of Tianbao Corporate Management prepared by an independent valuer. According to the report prepared by the independent valuer, the then valuation of Tianbao Corporate Management was RMB1,352,000,000.

Ms. Wu is currently the chief investment officer of a PRC integrated circuit design company, where she is primarily responsible for project investment and financial products design. Prior to joining the integrated circuit design company, Ms. Wu had worked at the Stock Exchange from 28 January 2013 to 18 August 2018. Her last position at the Stock Exchange was Vice President in Commodities Development, Market Development Division. Ms. Wu has experience in the capital market in Hong Kong. Ms. Wu is an Independent Third Party. Ms. Wu was introduced to our current management by her husband at a social event in 2016. After discussing with and getting a better understanding of our Group and the industry in which we operate, Ms. Wu became interested in our Company's investment potentials after taking into account our business model and the opportunities our Company may have in relation to the overall development plan in the region.

Principal Terms of the Pre-IPO Investment

The following table sets forth details of the Pre-IPO Investment:

Name of the Pre-IPO Investor	Ms. Wu
Date of the Pre-IPO Investment Agreement	March 20, 2019
Interest in Tianbao Corporate Management upon completion of the Pre-IPO Investment	1.00% equity interest in Tianbao Corporate Management
Consideration	RMB13,520,000 (equivalent to approximately HK$14,999,556)
Basis of determination of consideration	The consideration was determined with reference to the valuation of Tianbao Corporate Management prepared by an independent valuer and the growth potential of our business as assessed by the parties and after arm's length negotiations.
Date of completion	March 26, 2019
Date of settlement of full payment	March 29, 2019
Use of proceeds	The proceeds received by Mr. Li from the Pre-IPO Investment of RMB13,520,000 were subsequently advanced by him to our Group and used as our Group's general working capital.

Strategic benefits	Our Directors are of the view that (i) we can benefit from the Pre-IPO Investor's commitment to our Company as her investment demonstrates her confidence in the operations of our Group and serves as an endorsement of our Company's performance, strength and prospects; (ii) Ms. Wu, with her established network and experience in capital market in Hong Kong, may assist with our Group's future financing and fund raising if needed; and (iii) the Pre-IPO Investment serves as a source of additional working capital to our Group and provides immediate funding available for our Group's business operation and expansion.
Number of Shares held in our Company immediately following the Reorganization, the Capitalization Issue and the Global Offering(1) (without taking into account any shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme)	6,000,000 Shares
Approximate shareholding in our Company immediately following completion of the Reorganization, the Capitalization Issue and the Global Offering (without taking into account any shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme)	0.75%
Cost per Share	RMB2.25 (equivalent to approximately HK$2.50)
Premium to the Offer Price(2)	4.60%(3)
Discount to the Offer Price(4)	9.09%
Discount to the Offer Price(5)	19.35%

Lock-up period	Nil The terms of the Pre-IPO Investment Agreement did not impose any lock-up obligations over the Shares held by the Pre-IPO Investor, except where requested by the Stock Exchange, if applicable.
Public float	Given that (i) the shareholding of the Pre-IPO Investor in our Company upon Listing is less than 10%; (ii) the Pre-IPO Investor is only a passive investor in our Group; and (iii) she is an Independent Third Party, the Shares held by the Pre-IPO Investor will be counted as part of the public float of our Company upon completion of the Listing.

Notes:

(1) As part of the Reorganization, on April 29, 2019, Ms. Wu became indirectly interested in 10 Shares, representing 1% of the entire issued share capital of our Company as at the date of the transfer. For details, see "— Reorganization — The Offshore Reorganization — Share swap."

(2) Assuming the Offer Price is HK$2.39 per Share, being the low-end of the indicative Offer Price and exchange rate of RMB1.00 to HK$1.1094.

(3) Our Directors are of the view that, notwithstanding that the Pre-IPO Investment made by the Pre-IPO Investor represents a premium to the indicative Offer Price, such premium paid by the Pre-IPO Investor represents her confidence in the operations of our Group.

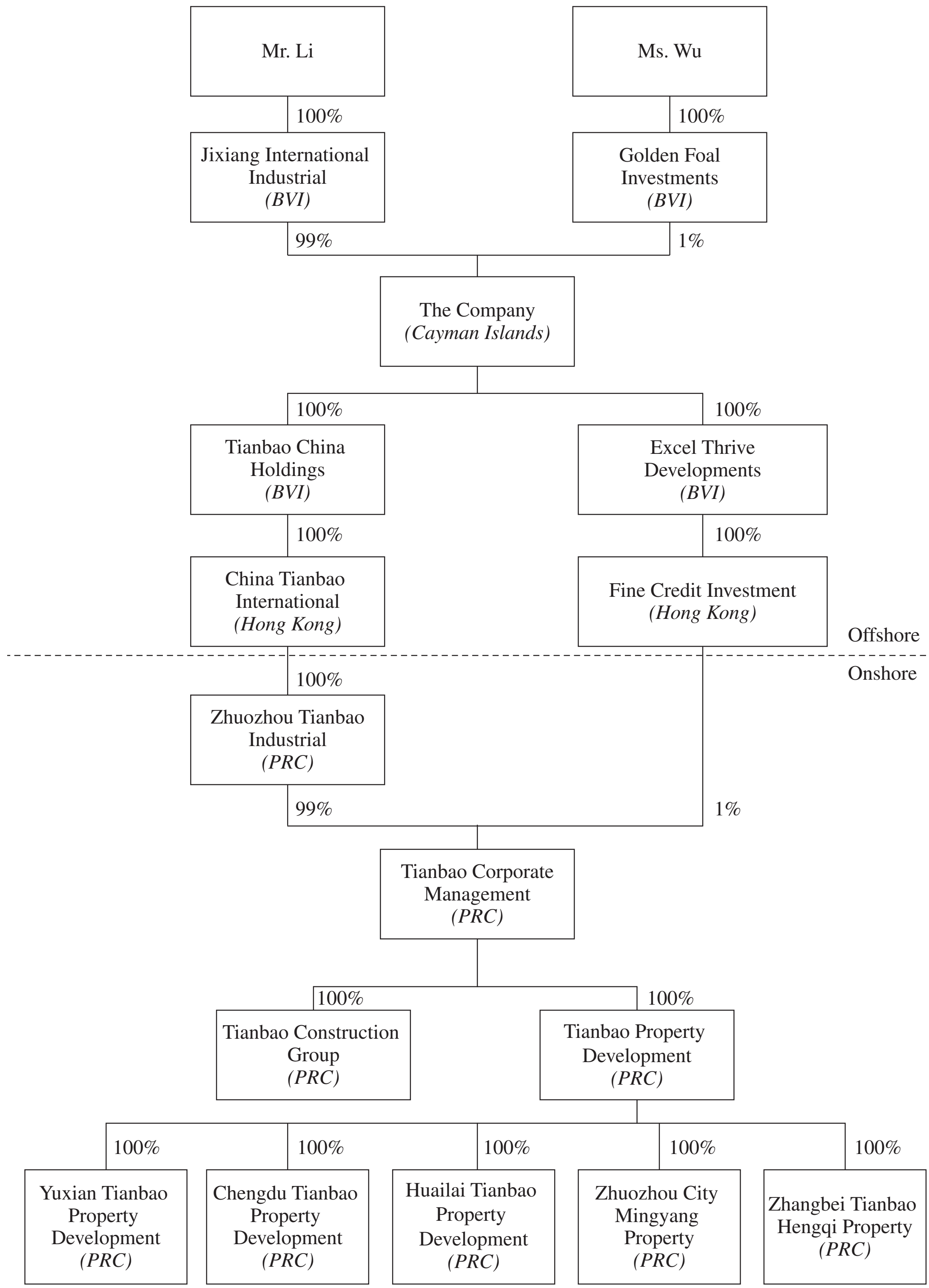
(4) Assuming the Offer Price is HK$2.75 per Share, being the mid-point of the indicative Offer Price range and exchange rate of RMB1.00 to HK$1.1094.

(5) Assuming the Offer Price is HK$3.10 per Share, being the high-end of the indicative Offer Price and exchange rate of RMB1.00 to HK$1.1094.

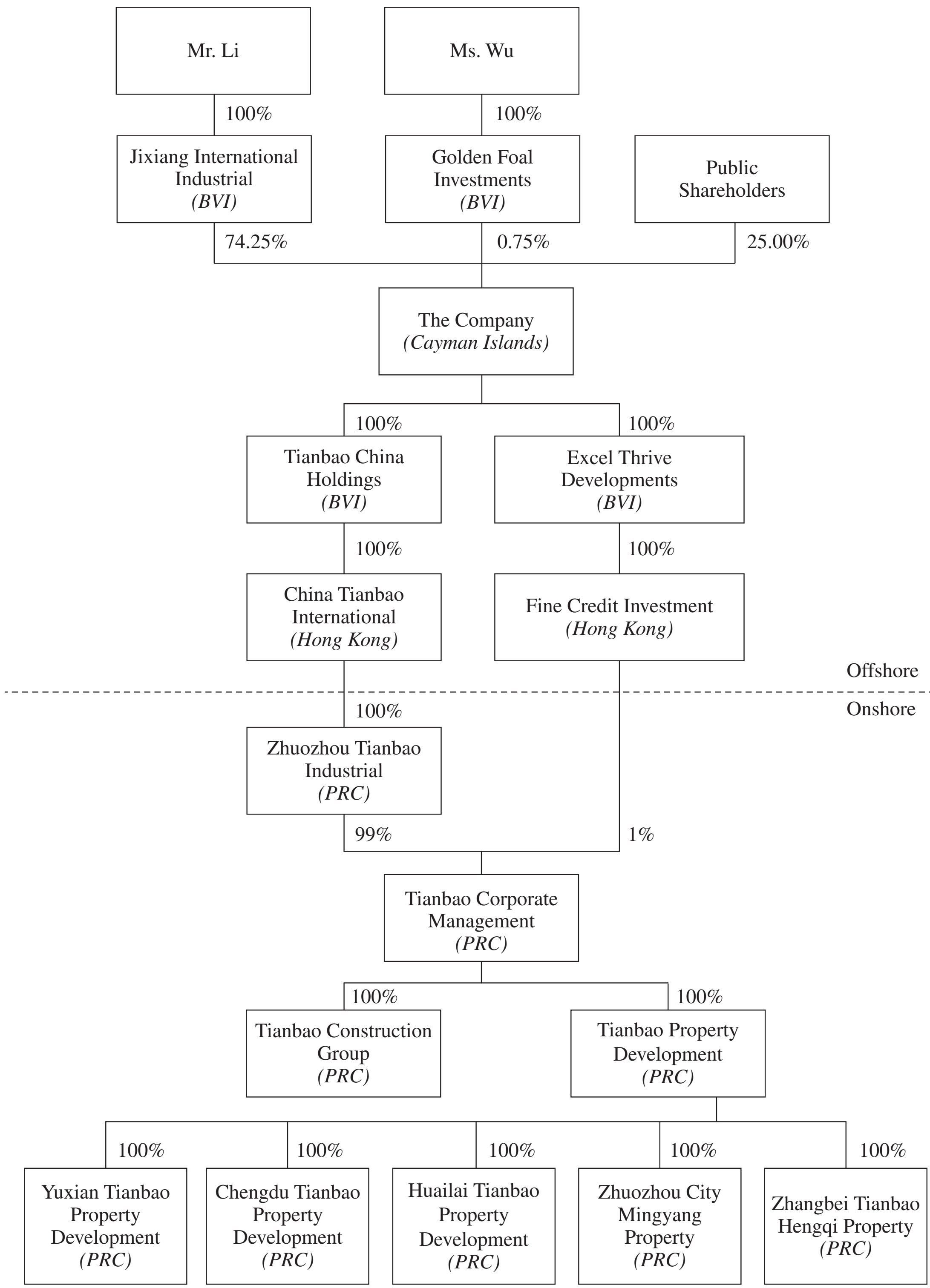
Compliance with Interim Guidance and Guidance Letters

The Joint Sponsors confirmed that the Pre-IPO Investment is in compliance with the Interim Guidance on Pre-IPO Investments (HKEX-GL29-12), the Guidance on Pre-IPO Investments (HKEX-GL43-12) and the Guidance on Pre-IPO Investments in Convertible Instruments (HKEX-GL44-12) issued by the Stock Exchange.

The following chart sets forth the shareholding structure of our Group immediately after the Reorganization and the Pre-IPO Investment but before the Capitalization Issue and the Global Offering.



The following chart sets forth the shareholding structure of our Group immediately after Capitalization Issue and the Global Offering (without taking into account any shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).



MAJOR HISTORICAL DISPOSALS

Set out below is a table summarizing the major historical disposals completed by our Group:

(1) Disposal of equity interests in certain entities to Baoxin Industrial, a connected person of our Company:

Date and description of transaction	Amount and basis of consideration	When consideration was settled	Reasons for the transaction
On December 21, 2018, Tianbao Property Development disposed of its entire equity interests in Hebei Tianbao Village Technology Company Limited (河北天保農業科技有限公司) (which is engaged in agricultural technology development and consultancy) to Baoxin Industrial.	Nil Hebei Tianbao Village Technology Company Limited did not carry out any business activities. Therefore, the consideration is nil.	N/A	No actual business operation and not within the scope of our main business.
On January 2, 2019, Tianbao Property Development disposed of its entire equity interests in Zhuozhou Tianbao Property Management (which is engaged in property management services) to Baoxin Industrial.	RMB1,588,372.21 The consideration was determined based on an independent valuation report.	Settled in April 2019	Not within the scope of our main business.
On March 27, 2019, Tianbao Construction Group and Ms. Li Yahui (李亞輝) disposed of their respective 10% and 20% equity interests in Zhuozhou Tianbao Construction (which is engaged in provision of construction materials) to Baoxin Industrial.	RMB1,752,173.01 The consideration was determined based on an independent valuation report.	Settled in April 2019	Not within the scope of our main business.
On March 14, 2019, Tianbao Property Development disposed of its entire equity interests in Zhangbei Tianbao Neotype Construction Company Limited (張北天保新型建材有限公司) (which is engaged in sales of construction materials) to Baoxin Industrial.	RMB8,137,965.61 The consideration was determined based on an independent valuation report.	Settled in April 2019	Not within the scope of our main business.
On December 21, 2018, Tianbao Property Development disposed of its 60% equity interests in Hebei Jingnan Intellectual Construction Technology Company Limited (河北京南智慧建築科技有限公司) (which is engaged in software development) to Baoxin Industrial.	Nil Hebei Jingnan Intellectual Construction Technology Company Limited did not carry out any business activities. Therefore, the consideration is nil.	N/A	No actual business operation and not within the scope of our main business.

(2) Disposal of equity interests in certain entities to Independent Third Parties:

Date and description of transaction	Amount and basis of consideration	When consideration was settled	Reasons for the transaction
On January 8, 2019, Tianbao Property Development disposed of its 51% equity interests in Zhuozhou City Qinghewan Property Development Company Limited (涿州市清河灣房地產開發有限公司) ("Zhuozhou City Qinghewan") (which is engaged in property development) to an Independent Third Party.	nil Neither Tianbao Property Development nor our partner made any capital contribution in Zhuozhou City Qinghewan. Zhuozhou City Qinghewan has not conducted any business operation since its incorporation. Therefore, the consideration is nil.	N/A	We planned to carry out a project through Zhuozhou City Qinghewan with our partner. However, as the expected development cost was too high to meet our original budget, we decided to terminate this project and dispose of our interests in Zhuozhou City Qinghewan before it commenced operation.
On November 15, 2018, Mr. Li and Tianbao Construction Group disposed of their respective 14% and 16% equity interests in Zhuozhou County Zhongbao Construction Company limited (涿州市眾保建築工程有限公司) (formerly known as Tianbao Group Zhuozhou Construction Company Limited) (天保集團涿州建築有限公司) (which is engaged in provision of services in building and construction) to an Independent Third Party.	RMB1,500,000 The consideration was determined based on an independent valuation report.	Settled in April 2019	Not within the scope of our main business.
On February 20, 2019, Tianbao Construction Group disposed of its entire equity interests in Hebei Zhongxin Hongbo Construction Company Limited (河北眾鑫宏博建築工程有限公司) (which is engaged in building construction) to an Independent Third Party.	RMB50,000,000 The consideration was determined based on an independent valuation report.	Settled in March 2019	Hebei Zhongxin Hongbo Construction Company Limited occupied our resources with small profit contribution. It held lower level of qualification.
On April 12, 2019, Tianbao Construction Group and Tianbao Property Development disposed of their respective 60% and 40% equity interests in Baoding Shi Tianyi Design Institute Company Limited (保定市天藝設計院有限公司) ("Baoding Tianyi Design") (which is engaged in construction engineering and consultancy) to two Independent Third Parties.	RMB14,426.63 The consideration was determined based on an independent valuation report.	Settled in April 2019	Baoding Shi Tianyi Design Institute Company Limited held lower level of qualification.

As confirmed by our Directors, the entities of which we disposed to Baoxin Industrial or the Independent Third Parties (the "**Disposed Entities**") had complied with all applicable laws and regulations in all material aspects and none of the Disposed Entities was involved in any material legal, regulatory, arbitral or administrative proceedings, investigations or claims during the Track Record Period and up to the date of their respective disposal. Our PRC Legal Advisors are also of the view that none of the Disposed Entities was involved in any material legal, regulatory, arbitral or administrative proceedings, investigations or claims during the Track Record Period and up to the date of their respective disposal based on the due inquiry after public search conducted on websites of the competent authorities and the confirmation issued by the Company.

Our PRC Legal Advisors confirmed that (i) all necessary approvals from the relevant authorities for the above acquisitions and disposals had been obtained as of the Latest Practicable Date, and (ii) the above acquisitions and disposals had been legally completed.

PRC REGULATORY REQUIREMENTS

M&A Rules

The Provisions on Foreign Investors' Merger with and Acquisition of Domestic Enterprises (關於外國投資者併購境內企業的規定) (the "**M&A Rules**"), which were jointly promulgated by MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by the relevant commerce authorities. Article 11 of the M&A Rules stipulates that in the event of merger and acquisition by a company, enterprise, or natural person in China, in the name of a company that it has legitimately established or controls outside China, of a domestic company affiliated thereto, the merger and acquisition shall be submitted to the MOFCOM for examination and approval.

As advised by our PRC Legal Advisors, the proposed Listing is not subject to approval from MOFCOM under the M&A Rules.

SAFE Registration

SAFE promulgated the Notice of the State Administration of Foreign Exchange on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the "**Hui Fa [2014] No. 37**") on July 4, 2014. Hui Fa [2014] No. 37 requires that PRC residents shall register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interest in domestic enterprises or offshore assets or interest.

Mr. Li, our Controlling Shareholder, completed his foreign exchange registration in China on January 28, 2019 in accordance with Hui Fa [2014] No. 37.

OVERVIEW

We are a property developer and construction company based in Zhuozhou, a city in Hebei Province, China. We engage in a wide range of property development activities, such as planning and design, construction, and property sales, investment and operations.

We principally engage in the following businesses:

- **Property development business.** As a property developer, we focus primarily on the development and sales of residential properties, and leasing and operation of an investment property.

- **Construction contracting business.** We provide construction contracting services mainly as a general contractor for building construction projects, infrastructure construction projects, and industrial and commercial construction projects.

As of August 31, 2019, we had a diverse portfolio of 20 property projects consisting of 18 residential properties, an investment property and a hotel, which are all owned and developed by us. Seven projects are located in Zhuozhou and 13 projects are located in Zhangjiakou. As of August 31, 2019, we had land reserves with a total GFA of 1,989,288.9 sq.m., including (i) completed properties with a total unsold saleable GFA of 41,671.1 sq.m. and a rentable GFA held for property investment of 44,336.1 sq.m., accounting for 4.3% of our total land reserves; (ii) properties under development with a total planned GFA of 961,507.2 sq.m., accounting for 48.4% of our total land reserves; and (iii) properties held for future development with a total planned GFA of 941,774.5 sq.m., accounting for 47.4% of our total land reserves. Our acquired land reserves are mainly located in cities with high development potential, such as Zhuozhou and Zhangjiakou.

We commenced our construction contracting business in 1998. During the Track Record Period, we completed over 530 construction projects, mostly as a general contractor, for building, infrastructure and industrial and commercial construction projects such as steel structure and preservation of antiquities and historical buildings. As of December 31, 2016, 2017, 2018 and April 30, 2019, our aggregate backlog of construction projects was RMB1,085.2 million, RMB1,031.1 million, RMB1,712.1 million and RMB1,847.1 million, respectively.

During the Track Record Period, our total revenue increased from RMB800.2 million in 2016 to RMB1,601.7 million in 2018, representing a CAGR of 41.5% from 2016 to 2018. Our total revenue decreased by 17.6% from RMB660.5 million in the four months ended April 30, 2018 to RMB544.4 million in the same period in 2019. Our profit for the year increased from RMB37.2 million in 2016 to RMB108.2 million in 2018, representing a CAGR of 70.6% from 2016 to 2018. Our profit for the period decreased by 28.4% from RMB74.5 million in the four months ended April 30, 2018 to RMB53.4 million in the same period in 2019.

OUR COMPETITIVE STRENGTHS

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

We are well-positioned to benefit from the national strategies of the coordinated development of the Beijing-Tianjin-Hebei Region and the development of the Xiong'an New Area, and the opportunities from the 2022 Beijing Winter Olympics.

We commenced our construction contracting business operations in our Zhuozhou headquarters in 1998. In 2001, we expanded our business to property development and strategically focused our business activities in Zhuozhou and Zhangjiakou, which are satellite cities of Beijing. We are well-positioned to benefit from the national strategies of the coordinated development of the Beijing-Tianjin-Hebei Region and the development of the Xiong'an New Area. With the opportunities of the upcoming 2022 Beijing Winter Olympics, we expect a high potential of property development in Zhuozhou, Zhangjiakou and other cities of the Beijing-Tianjin-Hebei Region.

The Beijing-Tianjin-Hebei Region is home to over 100 million people and contributes nearly one-tenth of China's nominal GDP, which was approximately RMB8.5 trillion in 2018, according to Frost & Sullivan. The PRC government promoted the coordinated development of the Beijing-Tianjin-Hebei Region as a national strategy in 2014. This strategy brought about important reform initiatives and promoted the development of infrastructure, industrial upgrades, environmental protection, public services and integrated markets in this region, as well as the migration of certain "non-capital functions" out of Beijing to its neighboring areas.

According to the "Beijing-Tianjin-Hebei National Economic and Social Development Plan" during the 13th Five-Year Plan Period, this region is expected to build a number of world-class airline hubs and modern ports, including the Beijing Daxing International Airport which is approximately 32.6 kilometers east of our headquarters in terms of straight-line distance. In the meantime, as a result of the coordinated development of the Beijing-Tianjin-Hebei Region, the region's urbanization and population mobility are expected to accelerate. According to Frost & Sullivan, urbanization in the Beijing-Tianjin-Hebei Region is expected to increase from approximately 65.9% in 2018 to 69.1% in 2023, which is below the national average urbanization level and indicates room for improvement. Urbanization of Hebei Province is expected to increase from approximately 56.4% in 2018 to 61.0% in 2023, which is expected to effectively benefit the property development and construction industries in this region.

Zhuozhou, where we are headquartered, intends to take advantage of its unique geographical advantages to enhance its ability to undertake the migration of certain "non-capital functions" and certain industries out of Beijing and Tianjin, according to Frost & Sullivan. The goal is to foster synergistic development of Beijing, Tianjin and Baoding, making this region the new growth engine of Hebei Province with a focus on innovation and industrial transition.

In particular, in April 2017 the PRC government announced the creation of the Xiong'an New Area as one of the key steps of the coordinated development of the Beijing-Tianjin-Hebei Region, which the PRC government credits as a strategy crucial for a millennium to come. The Xiong'an New Area spans Xiongxian, Rongcheng and Anxin, which are approximately 50 kilometers south of our headquarters in terms of straight-line distance. The development is expected to expand gradually from an area covering over 100 square kilometers to over 200 square kilometers in the medium term and over 2,000 square kilometers in the long term. The establishment of the Xiong'an New Area is expected to play an important role in the migration of the "non-capital functions" out of Beijing. We expect this development to bring significant investments in both property development and construction sectors in this region.

Moreover, Beijing and Zhangjiakou will jointly host the 2022 Beijing Winter Olympics, which is expected to bring upcoming opportunities to the property development industry in Hebei Province. Demand for establishment and refurbishment of stadiums for Olympic games is expected to boost property development and construction industries in Zhangjiakou. Also, traffic infrastructure is to be improved between Hebei Province and Beijing by time of the 2022 Beijing Winter Olympics. In addition, supporting facilities such as convention centers, hotels and communications infrastructure are all under construction. With urban facilities improved and urban resources enriched in Hebei Province, residents have more incentives to work and live there. Therefore, more capital will be invested in property projects in Hebei Province.

We have been conducting business in Hebei Province for a long period, which has benefited our customer relations. During the Track Record Period, we had established sound relationships with local governments and enterprises and had completed over 550 construction and property development projects, such as Tianhe Penghua (田合鵬華), Tianbao New City (天保新城) and Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目). We had developed certain projects in Zhangbei, Huailai and Yuxian areas in Zhangjiakou. Thanks to the 2022 Beijing Winter Olympics, and development of the Beijing-Zhangjiakou Railway and the Beijing-Yuxian Highway, Zhangjiakou's urban environment will be enhanced which we believe will contribute to appreciation in value of our land and property portfolio there.

We believe we are a pioneer with a track record of success in property development and construction contracting businesses in Zhuozhou and Zhangjiakou, enabling us to benefit from these trends. We were the first in Zhuozhou to obtain the Premium Class Qualification Certificate for construction companies, the first in Zhuozhou to obtain the First Grade Qualification Certificate for property developers, the first in Zhuozhou to win the Lu Ban Award, the first in Zhangbei area of Zhangjiakou to win the National High-Quality Project Award for construction companies and the first in Zhuozhou to win the Provincial Demonstration Project for Green Construction Award.

We have achieved synergies between our property development business and construction contracting business which have enabled us to develop a diverse project portfolio, improving efficiency.

We engage in a wide range of property development activities, such as planning and design, construction, and property sales, investment and operations, to create synergies between our property development and construction contracting businesses.

Our property development segment was rooted in Hebei Province for over 18 years. We possess knowledge and experience in major phases of the property development and construction processes from land acquisition to property sale, which allow us to achieve a high level of efficiency throughout our portfolio. We have won numerous awards for our diverse project portfolio. For example, we have been awarded the Star-level Residence for Landscape Style of Hebei Province and the Star-level

Demonstration Enterprise for Landscape Style of Hebei Province. We have also been awarded the Industry Brand of Property Development of Hebei Province by the Housing & Real Estate Industry Association of Hebei Province.

We have over 20 years of operating history in the construction industry. We have developed ''Tianbao'' as one of the most trusted brands in the property market in Hebei Province, as attested by our numerous awards for achieving high standards in construction quality and safety. We strive to enhance customer satisfaction with our property development projects through fine construction workmanship and strict quality control measures. For example, we have been awarded the Honoring Contract and Keeping Promise Enterprise by the State Administration for Industry and Commerce of the People's Republic of China, and the National Advanced Construction Enterprise by the China Construction Industry Association. Our awards also include the National Excellent Project Quality Management Enterprise, the National AAA-level Credit Construction Enterprise and the National Outstanding Construction Enterprise.

We operate as an integrated property enterprise, with resources and experience covering a wide spectrum of construction and property development. The synergies between our property development and construction segments enable us to control the property development process in a more effective way, which lead to improved safety and quality. During the Track Record Period and up to the Latest Practicable Date, we did not have any material workplace accidents and fatalities, and we had not been subject to any material fines, public criticism or warnings in relation to any safety incidents. Our construction segment has provided a broad range of services for our property development projects, to move every project from concept to completion with efficiency and expertise. This cooperation enables us to effectively control construction costs by, for example, avoiding extra costs incurred by unnecessary middlemen, and to effectively shorten construction periods and efficiently complete the property development process. We are also able to purchase building materials in bulk through our centralized purchase system for our multiple projects to further cut costs. With our eye for detail on the property development side, we can secure precise budget estimates and reliable project schedules, so we can effectively control our construction cost, the largest cost component of a development budget. In addition, we are also able to forge closer relationships with our subcontractors. Hiring a third party to handle construction can insulate the property developer from the subcontractors on the ground. Conversely, our construction capability allows us to work closely with the subcontractors while ensuring project quality.

In addition, we adopt ''construction first and property development to follow'' as our expansion strategy, meaning to first establish cooperation on construction projects with local government authorities and property developers by leveraging our strong construction capabilities, which in turn facilitates our property development business in that region. For example, we undertook historical architecture projects including several landmark historical buildings in Zhangbei area of Zhangjiakou, such as Zhangbei Nanshan Temple, Zhangbei Lansheng Tower and Simian Paifang. These projects were awarded the National High-Quality Project Award by the China Association of Construction Enterprise Management. Following our success in these construction projects, our property development business also entered Zhangbei. We have since developed Tianbao New City, the largest residential property project in the area, and are currently developing Zhangbei Zhongdu Garden.

Rooted in the Capital Economic Circle, we gained rich experience in land acquisitions by acquiring a high-quality land reserve in principal cities of the region.

Starting from Zhuozhou and focusing our efforts on the satellite cities of Beijing, we built a strong land reserve we can draw upon moving forward. During the Track Record Period, we acquired land parcels in Zhuozhou and Zhangjiakou. Based on our cost-efficient property development and operation and strict quality controls, we have gained extensive experience in running high-quality property development projects:

- In 2008, we established our presence in Zhuozhou and have developed certain projects, such as Tianhe Penghua Residence, Tianbao Greentown Residence, Tianbao Lingyun City, Mingyang Residence I and Tianma Jingyuan Residence. Our project portfolio in Zhuozhou had a total site area of 183,873.9 sq.m. and a total GFA of 594,659.8 sq.m. as of August 31, 2019.

- In 2010, we entered Zhangbei area of Zhangjiakou and developed certain projects such as Tianbao New City, and our project portfolio had gradually expanded to include large-scale commercial complexes, such as Zhangbei Zhongdu Ginza. Our project portfolio in Zhangbei had a total site area of 504,537.0 sq.m. and a total GFA of 966,349.5 sq.m. as of August 31, 2019.

- In 2013, we entered Yuxian area of Zhangjiakou and have undertaken construction projects such as the Yuzhou Museum. We worked closely with the local government to enhance our brand recognition. Our project portfolio in Yuxian had a total site area of 236,716.0 sq.m. and a total GFA of 561,789.7 sq.m. as of August 31, 2019.

- In 2016, we entered Huailai area of Zhangjiakou, aiming to develop Tianbao Jingbei Health City, and our project portfolio had rapidly expanded to medical-care and elderly-care properties. Our project portfolio in Huailai had a total site area of 199,738.4 sq.m. and a total GFA of 432,002.7 sq.m. as of August 31, 2019.

As of August 31, 2019, we had land reserves with a total GFA of 1,989,288.9 sq.m. Our acquired land reserves are located in Zhuozhou and Zhangjiakou.

We believe we have been successful in developing accurate market judgment and vision in our land acquisitions. Our land parcels for future development and our properties under current development as of August 31, 2019 were valued at RMB5,120.8 million by JLL.

With the highest level of qualification in general building construction, a broad range of qualifications, strict quality control measures and active technological innovation, we have continued to win mandates for high-quality projects.

The construction contracting industry in China is highly regulated. We have a broad range of qualifications in this industry, covering most of the construction categories. In particular, we obtained our Premium Class Qualification in general building construction in 2017, which is the highest qualification that can be awarded to a building construction general contractor in China. This is a qualification that will only be awarded to those contractors who can meet high standards of project management experience, technological capabilities and scale of operations. As of April 30, 2019, only 11 construction companies in Hebei Province and one in Zhuozhou possessed such qualification, according to Frost & Sullivan. After we obtained our Premium Class Qualification, our revenue from construction contracting business increased by 29.4% from RMB928.2 million in 2017 to RMB1,201.5 million in 2018. The new contract value of our construction contracting business increased by 108.0% from RMB947.1 million in 2017 to RMB1,969.8 million in 2018.

Leveraging our comprehensive quality control measures, we are able to ensure the high quality of our construction contracting services that is critical to our success. We maintain ISO9001:2015 certificates for our construction contracting business. Our key quality control measures include the inspection of raw materials, training of our employees, standardized construction, onsite inspection and rectification, quality control review and quality control of subcontracting. In addition, since 2018, we have introduced the Performance Excellence Model, a globally accepted method of performance management, to continue to improve and upgrade our existing management system.

Research and development of our technology is crucial to our business. As of the Latest Practicable Date, we acquired 30 construction process methodologies, as well as 28 patented technologies. We also enjoy competitive advantages in construction projects by applying BIM technology, which gives a strategic overview of a construction project, helps to prevent conflicting designs and assists in a more accurate prediction of raw materials required.

We have won numerous awards for achieving high standards in construction quality, safety and innovation. We won the Lu Ban Award for Baoxin International Building in 2017. Our projects, the Zhangbei Nanshan Temple, the Zhangbei Lansheng Tower and the Simian Paifang, have been awarded the National High-Quality Project Award by China Association of Construction Enterprise Management. Other prestigious, upscale general contracting projects have included Datong Qingyuan Street Commercial Block in Shanxi Province, Zhuozhou Technician College, Comprehensive Outpatient Building of Zhuozhou Hospital of Traditional Chinese Medicine, Zhuozhou Museum, Yuzhou Museum and Yongji Park; and specialized contracting projects have included Repair of Chongqing Guanyue Temple and Renovation of Yujiapu Railway Station.

In recent years, we have expanded our construction contracting business to other cities in the Beijing-Tianjin-Hebei Region as well as to other provinces and regions in China, such as Sichuan Province. We have established long-term cooperative relationships with high-quality enterprises and customers, some with a history of cooperation with us for over 10 years. This has brought us considerable recognition of our high-quality projects and "Tianbao" brand. As a result, we have been able to undertake an increasing number of large construction projects in recent years, such as Qingshui Hepan and Zizhuyuan Residence.

Our optimized personnel structure, experienced and stable management team and unique corporate culture allow us to provide long-term quality services to our clients.

We are supported by personnel with strong technical expertise and industry background, approximately 30% of whom have a bachelor's degree or above and approximately 58% of whom have college degrees as of April 30, 2019. Our personnel structure combines different age groups — old, middle-aged and young. We believe that the stability and character yet combined with youthful energy, of our team have been the essential attributes spurring our steady progress. We provide our personnel with continuous vocational training to improve their abilities. We believe that our remuneration and incentive policies help us attract and retain talented professionals. We set high performance standards, conduct training and evaluate the performance of our personnel in a manner, intended to improve their work efficiency and effectiveness across the board.

Our management team, comprising experienced professionals with extensive technical and industry experience, has a proven record of successfully operating and expanding our business. Most of our management team members have over 10 years of work experience in the property development and construction industries. Our six Executive Directors have been working with us for 15 years on average. The in-depth expertise and valuable industry experience of our management team members will help us capitalize on new opportunities while aiming to avoid market downsides. Mr. Li Baotian, our founder and the chairman of the board of directors, has guided our fast and steady business development for the past 20 years since our establishment and has established himself as an influential leading figure in property development and construction industries in China. Mr. Li Baotian was designated as, among others, the National Advanced Worker for Construction Quality Control and the National Outstanding Entrepreneur in Construction Industry.

Our unique corporate culture featuring entrepreneurship and down-to-earth attitude is fundamental to who we are. Following our enterprise principles of "standardized management, careful construction, commitment to quality, dedication to owners," we have built a stable and highly competitive management team and have developed our brand "Tianbao" as one of the most trusted brands in the construction contracting and property development industries in Hebei Province. With both our management team and personnel team adhering to highest-craftsmanship objectives, we have successfully developed boutique projects that meet our customers' requirements and have been dedicated to achieving win-win outcome in terms of customer satisfaction, enterprise growth and employee development.

OUR BUSINESS STRATEGIES

Our goal is to become a well-known comprehensive property developer and construction company in China. We strive to continue to capture greater market share in the Beijing-Tianjin-Hebei Region and elsewhere in China to further reinforce our market position in the property developing and construction contracting industries. To achieve this goal, we intend to pursue the following strategies:

Seize the opportunities presented by the development of the Beijing-Tianjin-Hebei Region and of the Xiong'an New Area, and the upcoming 2022 Beijing Winter Olympics, to further expedite our expansion and growth

We will dedicate significant resources to the Beijing-Tianjin-Hebei Region, particularly the Capital Economic Circle, with the aim of further enhancing the recognition of our "Tianbao" brand, attracting and retaining key customers, and thereby reinforcing our market position in this region. "Tianbao" has been our most valuable intangible asset and the symbol of our corporate culture. We also intend to enhance our integrated brand management and strengthen our reputation as a highly capable and trustworthy property developer and construction company that not only implements high standards of work quality on the projects we undertake, but also through success of those projects, seeks to grow together with our customers.

Our proven track record in the Beijing-Tianjin-Hebei Region and the benefits brought by government strategies have enabled us to win high-profile mandates. We plan to further our plan to growing our business in the Xiong'an New Area to seize the opportunity to reinforce our geographical advantages in this area.

Increase our land reserves and expand our operations in the Beijing-Tianjin-Hebei Region and Sichuan Province where we believe to have profitable opportunities and focus on property development featuring cultural-tourism, healthcare and commercial complexes

We plan to develop our presence in the Capital Economic Circle as well as elsewhere in China where we believe good growth opportunities abound, with accelerating demand for mid to high-end properties with affordable prices. Suitable and sufficient land reserves we have accrued can support our future development against future changes in governmental policies or increases in land costs. We will continue to monitor the macroeconomic conditions, governmental policies and growth potential of the property market in cities where suitable land is located. Based on our ongoing demographic and market research, we plan to further expand our property development business into cities in the Beijing-Tianjin-Hebei Region as well as Sichuan Province, considering the underlying market demand of new property development models, such as cultural-tourism properties (文化旅遊地產), healthcare properties (醫療地產) and commercial complexes. For example, we have been developing Zhangbei Zhongdu Garden, Tianbao Jingbei Health City Commercial Building and Zhangbei Zhongdu Ginza for the above purposes.

Strengthen engineering and technological innovation and IT capabilities to further improve our efficiency and competitiveness and to develop ourselves as an energy-saving and environmental-friendly construction company

We plan to bolster our commitment to critical technologies for building construction, particularly to the advancement and application of BIM technology, keeping pace with technological development and innovations.

We plan to build a robust system to attract and cultivate talents, in our industry to establish the Tianbao Construction Engineering Research Institute and to deepen cooperation with external institutes and agencies to foster technological innovation and commercialized technology in the entire lifecycle of construction management.

We also plan to develop and promote green, energy-saving and environment-friendly technologies, including pre-fabricated buildings, passive low-energy buildings and green technologies, as an added value to our property development projects, thereby augmenting our brand recognition and providing our customers with comfortable and healthy use of space.

Enhance our corporate governance and human resources management by further strengthening our corporate culture and recruiting and retaining talented professionals with strong industry backgrounds

We believe our unique corporate culture will continue to serve as the foundation for our future development. We plan to enhance our corporate governance and human resources management through (i) further expanding our talent recruitment channels as well as our external and internal talent pool and implementing effective retention and incentive measures, actively recruiting talents for decision-making processes and making use of social networks to expand our business; (ii) promoting the sharing of knowledge and techniques among employees, organizing internal training and exchange programs and encouraging employees to pursue advanced professional qualifications and certificates; (iii) encouraging employees to participate in our management and decision-making processes, and cultivating a more inclusive culture; and (iv) optimizing a performance-based remuneration system and incentive mechanisms to provide fair and effective motivation for our employees.

OUR BUSINESS OPERATIONS

We principally engage in the following businesses:

- **Property development business.** As a property developer we focus primarily on the development and sales of residential properties, and leasing and operation of an investment property.

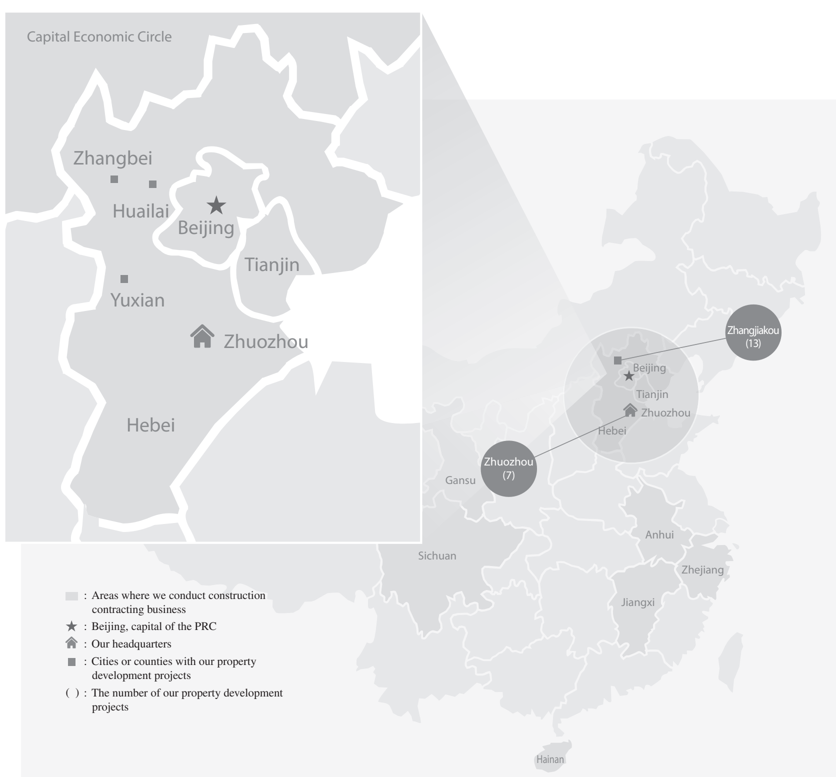
- **Construction contracting business.** We provide construction contracting services mainly as a general contractor for building construction projects, infrastructure construction projects, and industrial and commercial construction projects.

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

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB'000)		*(RMB'000)*		*(RMB'000)*		*(RMB'000)* *(unaudited)*		*(RMB'000)*	
Segment										
Property development business*	77,458	9.7	274,103	22.8	400,259	25.0	389,046	58.9	274,487	50.4
Construction contracting business	722,734	90.3	928,175	77.2	1,201,480	75.0	271,488	41.1	269,939	49.6
Total	**800,192**	**100.0**	**1,202,278**	**100.0**	**1,601,739**	**100.0**	**660,534**	**100.0**	**544,426**	**100.0**

* This includes rental income of RMB1.6 million, RMB5.2 million, RMB8.6 million and RMB4.0 million in 2016, 2017, 2018 and the four months ended April 30, 2019, respectively.

The map below shows the location of our headquarters, the geographical coverage of our property portfolio and ongoing construction projects as of August 31, 2019:



Property Development Business

Our property development business operations consist of the development and sales of residential properties, and leasing and operation of an investment property. We derive our revenue from sales of residential properties and rental income from our investment property.

The table below sets forth a breakdown of our revenue from property development business by business line and nature of income for the periods indicated:

Business line	Nature of income	Year ended December 31,						Four months ended April 30,			
		2016		2017		2018		2018		2019	
		Revenue *(RMB'000)*	% of revenue	Revenue *(RMB'000)*	% of revenue	Revenue *(RMB'000)*	% of revenue	Revenue *(RMB'000)* ***(unaudited)***	% of revenue	Revenue *(RMB'000)*	% of revenue
Property development sales	Sales of properties	75,811	97.9	268,933	98.1	391,709	97.9	387,727	99.7	270,507	98.6
Commercial property investment and operations	Rental income	1,647	2.1	5,170	1.9	8,550	2.1	1,319	0.3	3,980	1.4
Total		**77,458**	**100.0**	**274,103**	**100.0**	**400,259**	**100.0**	**389,046**	**100.0**	**274,487**	**100.0**

The following table sets forth a breakdown of our revenue recognized from sales of properties, the aggregate GFA delivered, and the recognized ASP per sq.m. by property project for the periods indicated:

	Year ended December 31,									Four months ended April 30,					
	2016			2017			2018			2018			2019		
	GFA delivered	Revenue	Recognized ASP	GFA delivered	Revenue	Recognized ASP	GFA delivered	Revenue	Recognized ASP	GFA Delivered	Revenue	Recognized ASP	GFA Delivered	Revenue	Recognized ASP
	(sq.m.)	*(RMB'000)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB'000)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB'000)*	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB'000)* ***(unaudited)***	*(RMB/ sq.m.)*	*(sq.m.)*	*(RMB'000)*	*(RMB/ sq.m.)*
Zhuozhou															
Tianma Jingyuan (天馬景苑)	4,535	28,442	6,272	1,196	9,329	7,800	52	142	2,731	—	—	—	—	—	—
Laojixiao Teachers Apartment (勞技校教師公寓)	3,026	17,555	5,801	2,976	18,902	6,351	3,194	16,467	5,156	3,194	16,467	5,156	—	—	—
Tianhe Penghua (田合鵬華)	671	4,266	6,358	29,834	218,979	7,340	91	494	5,429	91	494	5,429	—	—	—
Tianbao Lingyun City (天保凌雲城)	—	—	—	—	—	—	—	—	—	—	—	—	36,441	270,507	7,423
Zhangjiakou															
Tianbao New City Phase I (天保新城一期)	7,500	25,548	3,406	4,718	21,723	4,604	1,136	5,136	4,521	704	3,375	4,794	—	—	—
Tianbao New City Phase II (天保新城二期)	—	—	—	—	—	—	108,706	369,470	3,399	107,044	367,391	3,432	—	—	—
Total/overall	**15,732**	**75,811**	**4,819**	**38,724**	**268,933**	**6,945**	**113,179**	**391,709**	**3,461**	**111,033**	**387,727**	**3,492**	**36,441**	**270,507**	**7,423**

As of August 31, 2019, we had a diverse portfolio of 20 projects consisting of 18 residential properties, one investment property and one hotel. Out of these 20 projects, seven were completed projects, seven were projects under development and six were projects held for future development.

Our Project Portfolio

The manner in which we classify our projects may be different from the classifications employed by other property developers. Each property project or project phase may require multiple land use right certificates, construction land planning permits, construction work planning permits, construction work commencement permits, pre-sales permits and other permits and certificates, which may be issued at different times in the development process. The table below sets forth the differences between our classification of properties and the classification of properties adopted in the property valuation report set out in Appendix III and those adopted in the consolidated financial statements set out in Appendix I to this prospectus:

Classification by us	Property valuation report	Accountants' report
Completed projects Projects or project phases for which the requisite certificates of completion have been obtained	• Group I — Completed properties held for sale in China • Group II — Properties held for investment by the Group in China • Group V — Properties held and occupied by the Group in China	• Completed properties held for sale • Investment properties
Projects under development Projects or project phases for which the requisite land use rights certificates and construction work commencement permits have been obtained but the requisite certificates of completion have not yet been obtained	• Group III — Properties held under development by the Group in China	• Properties under development
Projects held for future development Projects or project phases for which the relevant land use rights certificates or land grant contracts have been obtained but the requisite construction work commencement permits have not yet been obtained	• Group IV — Properties held for future development by the Group in China	• Properties under development

As of August 31, 2019, we had a diverse portfolio of seven completed projects, seven projects under development and six projects held for future development. As advised by the PRC Legal Advisors, save as disclosed in "— Legal Proceedings and Compliance — Non-compliance Incidents," we obtained all the requisite land use rights or entered into valid land grant contracts and, where relevant, building ownership certificates or property ownership certificates for our completed projects, projects under development and projects held for future development in all material respects during the Track Record Period.

Classification of Our Residential Properties

We categorize our residential properties as follows:

- Multi-story apartments (多層住宅) — residential buildings that typically have four to six stories;
- Mid-rise apartments (小高層住宅) — residential buildings that typically have seven to 11 stories;
- High-rise apartments (高層住宅) — residential buildings that typically have 11 stories or more.

Land Reserves

The following table sets out the GFA breakdown of our land reserves by geographical location as of August 31, 2019:

	Completed		Under development	Future development	Total land reserves	Percentage of total land reserves by geographical location
	Unsold saleable GFA	Rentable GFA held for property investment	Planned GFA under development	Planned GFA	Total GFA	
	(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*	*(%)*
Zhuozhou	24,299.4	44,336.1	153,838.8	—	222,474.3	11.2
Zhangjiakou	17,371.7	—	807,668.4	941,774.5	1,766,814.6	88.8
Total	**41,671.1**	**44,336.1**	**961,507.2**	**941,774.5**	**1,989,288.9**	**100.0**

Portfolio of Our Property Development Projects

The table below is a summary of our portfolio of property development projects as of August 31, 2019:

		COMPLETED				UNDER DEVELOPMENT			HELD FOR FUTURE DEVELOPMENT						
Project	Site area[(1)] (sq.m.)	Completed GFA[(2)] (sq.m.)	Saleable/ rentable GFA[(3)] (sq.m.)	Unsold saleable GFA[(4)] (sq.m.)	Rentable GFA held for property investment[(3)] (sq.m.)	GFA under development[(2)] (sq.m.)	Saleable GFA[(3)] (sq.m.)	Saleable GFA pre-sold[(4)] (sq.m.)	Planned GFA[(2)] (sq.m.)	Actual/ estimated commencement date for construction[(5)]	Actual/estimated commencement date for pre-sale of properties[(6)]	Actual/estimated completion date for construction[(7)]	Development costs incurred[(8)] (RMB in million)	Future development costs to be incurred[(9)] (RMB in million)	Reference to property valuation report
I. Residential Properties															
ZHUOZHOU															
1. Tianma Jingyuan (天馬景苑)	45,926.8	200,403.4	195,676.1	2,610.2	—	—	—	—	—	April 2009	August 2009	July 2015	463.5	—	N/A
2. Laojixiao Teachers Apartment (劳技校教師公寓)	5,180.5	29,393.4	27,991.0	—	—	—	—	—	—	February 2013	March 2013	February 2015	146.3	—	N/A
3. Tianhe Penghua (田合鵬華)	36,950.1	71,863.7	66,861.2	4,000.4	—	—	—	—	—	April 2013	July 2013	November 2017	224.0	—	6
4. Tianbao Green City (天保綠城)	33,764.1	—	—	—	—	105,173.3	78,320.0	40,139.8	—	March 2017	April 2017	September 2019	334.3	24.3	1
5. Tianbao Lingyun City (天保淩雲城)	26,666.7	89,120.8	60,902.6	17,688.8	—	—	—	—	—	April 2016	February 2017	April 2019	273.8	—	2
6. Ming Yang Phase I (明陽一期)	17,593.3	—	—	—	—	48,665.5	45,127.2	35,534.6	—	July 2017	August 2017	January 2020	154.4	24.5	7
ZHANGJIAKOU															
Tianbao New City (天保新城) (No. 7–No. 10)															
7. Tianbao New City Phase I (天保新城一期)	66,351.8	132,778.0	121,080.0	9,145.7	—	—	—	—	—	April 2011	July 2011	December 2014	257.5	—	8
8. Tianbao New City Phase II (天保新城二期)	66,340.0	132,035.7	118,368.2	8,226.0	—	—	—	—	—	June 2015	September 2015	January 2018	239.9	—	8
9. Tianbao New City Phase III (天保新城三期)	92,189.5	—	—	—	—	241,355.8	211,032.7	134,558.9	—	March 2017	July 2017	October 2019	565.8	78.3	8
10. Zhangbei Zhongdu Ginza (張北中都銀座)	8,106.7	—	—	—	—	86,690.5	78,194.1	—	—	July 2017	September 2019	April 2021	68.8	183.8	8
11. Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目)	71,057.0	—	—	—	—	147,871.2	141,347.4	—	—	September 2017	September 2019	December 2019	339.8	132.6	9

Project	Site area[(1)] (sq.m.)	COMPLETED: Completed GFA[(2)] (sq.m.)	COMPLETED: Saleable/ rentable GFA[(3)] (sq.m.)	COMPLETED: Unsold saleable GFA[(4)] (sq.m.)	COMPLETED: Rentable GFA held for property investment[(3)] (sq.m.)	UNDER DEVELOPMENT: GFA under development[(2)] (sq.m.)	UNDER DEVELOPMENT: Saleable GFA[(3)] (sq.m.)	UNDER DEVELOPMENT: Saleable GFA pre-sold[(4)] (sq.m.)	HELD FOR FUTURE DEVELOPMENT: Planned GFA[(2)] (sq.m.)	Actual/ estimated commencement date for construction[(5)]	Actual/estimated commencement date for pre-sale of properties[(6)]	Actual/estimated completion date for construction[(7)]	Development costs incurred[(8)] (RMB in million)	Future development costs to be incurred[(9)] (RMB in million)	Reference to property valuation report
Tianbao Edelweiss City (天保雪絨花都) (No. 12–No. 13)															
12. Tianbao Edelweiss City (Residential Community) (天保雪絨花都(住宅))	100,368.0	—	—	—	—	190,887.2	92,641.5	29,430.9	190,887.2	December 2018	March 2019	September 2021	395.4	384.1	5
13. Tianbao Edelweiss City (Twin Towers) (天保雪絨花都(雙子座))	54,533	—	—	—	—	—	—	—	—	November 2019	July 2020	November 2021	151.6	366.6	5
14. Tianbao Boyue Bay (天保鉑悅灣)	81,815.0	—	—	—	—	—	—	—	234,130.0	August 2019	January 2020	May 2022	200.1	482.9	15
Tianbao Jingbei Health City (天保京北健康城) (No. 15–No. 16)															
15. Tianbao Hushan Yard (天保湖山大院)	145,569.5	—	—	—	—	—	—	—	291,139.0	December 2019	May 2020	May 2022	460.7	808.5	4
16. Tianbao Jingbei Health City (Commercial Section) (天保京北健康城 (商業部分))	54,168.9	—	—	—	—	140,863.7	62,179.0	—	—	December 2018	October 2019	July 2021	156.8	242.9	4
17. Zhangbei Zhongdu Garden (中都莊園)	99,513.0	—	—	—	—	—	—	—	119,415.6	October 2019	October 2020	May 2022	15.2	173.3	12
18. Zhangbei Haiziwa Land Lot (張北海子窪地塊)	48,742.0	—	—	—	—	—	—	—	48,742.0	March 2020	June 2020	December 2022	14.6	74.9	10
II. Investment Properties															
ZHUOZHOU															
19. Baoxin International Building (保鑫國際大廈)	17,792.4	50,039.7	44,336.1	—	44,336.1	—	—	—	—	—	April 2015	November 2017	72.7	—	3

Project	Site area[1] (sq.m.)	COMPLETED: Completed GFA[2] (sq.m.)	COMPLETED: Saleable/ rentable GFA[3] (sq.m.)	COMPLETED: Unsold saleable GFA[4] (sq.m.)	COMPLETED: Rentable GFA held for property investment[3] (sq.m.)	UNDER DEVELOPMENT: GFA under development[2] (sq.m.)	UNDER DEVELOPMENT: Saleable GFA[3] (sq.m.)	UNDER DEVELOPMENT: Saleable GFA pre-sold[4] (sq.m.)	HELD FOR FUTURE DEVELOPMENT: Planned GFA[2] (sq.m.)	Actual/ estimated commencement date for construction[5]	Actual/estimated commencement date for pre-sale of properties[6]	Actual/estimated completion date for construction[7]	Development costs incurred[8] (RMB in million)	Future development costs to be incurred[9] (RMB in million)	Reference to property valuation report
III. Other Properties															
ZHANGJIAKOU															
20. Haiziwa Hotel (海子窪酒店)	52,237.0	–	–	–	–	–	–	–	57,460.7	May 2014	–	December 2019	133.7	4.7	11
												Total:		**2,981.4**	

(1) The "Site area" data have been derived from the data contained in the relevant land use rights certificates and property rights certificates.

(2) Data with respect to the GFA of (i) completed projects have been derived from the information contained in the relevant completion or inspection certificates; and (ii) projects under development have been derived from the information contained in the relevant construction work commencement permits. The total GFA of a property comprises saleable GFA and non-saleable GFA.

(3) "Saleable/rentable GFA" refers to the internal floor area of a property, which has been allocated with shared floor area. "Saleable/rentable GFA" comprises unsold saleable GFA, saleable GFA sold and rentable GFA held for property investment. "Rentable GFA" specifically refers to space available to generate rental income, including space occupied for our own use.

(4) "Unsold saleable GFA" includes properties which have been pre-sold. A property is considered sold after the Group has executed the relevant sale and purchase agreement and the property has been delivered to the customer. A property is considered delivered to a customer after the property has been completed, inspected and accepted as qualified. "Saleable GFA pre-sold" was derived from our Group's internal records.

(5) "Actual/estimated commencement date for construction" refers to the date on the construction work commencement permit or is estimated to commence based on the Group's internal records.

(6) "Actual/estimated commencement date for pre-sale of properties" refers to the date our Group obtained or is estimated to obtain a pre-sale permit for the project based on the Group's internal records.

(7) "Actual/estimated completion date for construction" of (i) completed projects refers to the date of the proof of examination and acceptance of completion for each project; and (ii) projects under development or planned for future development is based on our current estimation with reference to construction working plans.

(8) "Development costs incurred" refers to direct (unaudited) costs incurred for the relevant project including land acquisition costs, construction costs and capitalized interest costs as of June 30, 2019.

(9) "Future development costs to be incurred" refers to the budgeted costs estimated to be incurred by us based on the development costs incurred as of June 30, 2019.

(10) "Market value" equals the value of the project as of the valuation date (August 31, 2019).

ZHUOZHOU

1. Tianma Jingyuan (天馬景苑)

Tianma Jingyuan (天馬景苑) is a completed residential project. This project is located in Zhuozhou, Hebei Province. The project comprises high-rise apartments, car parks and other public service facilities. As of August 31, 2019, this project occupies a total site area of approximately 45,926.8 sq.m. with an aggregate GFA of approximately 200,403.4 sq.m.

We entered into a land grant contract in relation to the project in July 2008 for the acquisition of the project land. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

We obtained the certificate of completion for this project in July 2015. As of August 31, 2019, the total unsold saleable GFA was 2,610.2 sq.m.

Below are certain details of this project as of August 31, 2019:

Status	Completed
Construction period	75 months
Actual commencement date	April 2009
Actual completion date	July 2015
Development costs incurred as of June 30, 2019	RMB463.5 million
Total saleable GFA	195,676.1 sq.m.
Total saleable GFA sold	193,065.9 sq.m.
Percentage of total saleable GFA sold	98.7%

2. Laojixiao Teachers Apartment (勞技校教師公寓)

Laojixiao Teachers Apartment (勞技校教師公寓) is a completed residential project. The project is located in Zhuozhou, Hebei Province. The project comprises high-rise apartments. As of August 31, 2019, the project occupies a total site area of approximately 5,180.5 sq.m. with an aggregate GFA of approximately 29,393.4 sq.m.

We entered into a land grant contract in relation to the project in November 2011 for the acquisition of the project land at the aggregate consideration of approximately RMB12.6 million. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

We obtained the certificate of completion for this project in February 2015. As of August 31, 2019, all saleable GFA had been sold.

Below are certain details of this project as of August 31, 2019:

Status	Completed
Construction period	24 months
Actual commencement date	February 2013
Actual completion date	February 2015
Development costs incurred as of June 30, 2019	RMB146.3 million
Total saleable GFA	27,991.0 sq.m.
Total saleable GFA sold	27,991.0 sq.m.
Percentage of total saleable GFA sold	100.0%

3. Tianhe Penghua (田合鵬華)

Tianhe Penghua (田合鵬華) is a completed residential project. The project is located in Zhuozhou, Hebei Province. The project comprises multi-story apartments and commercial properties. As of August 31, 2019, the project occupies a total site area of approximately 36,950.1 sq.m. with an aggregate GFA of approximately 71,863.7 sq.m.

We entered into a land grant contract in relation to the project in August 2011 for the acquisition of the project land at the aggregate consideration of approximately RMB83.2 million. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

We obtained the certificate of completion for this project in November 2017. As of August 31, 2019, the total unsold saleable GFA was 4,000.4 sq.m.

Below are certain details of this project as of August 31, 2019:

Status	Completed
Construction period	55 months
Actual commencement date	April 2013
Actual completion date	November 2017
Development costs incurred as of June 30, 2019	RMB224.0 million
Total saleable GFA	66,861.2 sq.m.
Total saleable GFA sold	62,860.8 sq.m.
Percentage of total saleable GFA sold	94.0%

4. Tianbao Green City (天保綠城)

Tianbao Green City (天保綠城) was a residential project under development as of August 31, 2019. The project is located in Zhuozhou, Hebei Province. Upon completion, the project will comprise high-rise apartments, commercial properties and car parks. As of August 31, 2019, the project occupied a total site area of approximately 33,764.1 sq.m. with a total planned GFA of approximately 105,173.3 sq.m.

We entered into land grant contracts in relation to the project in December 2015* for the acquisition of the project land at an aggregate consideration of approximately RMB34.4 million. As of the Latest Practicable Date, all land premiums had been paid and all relevant land use rights certificates had been obtained for the project.

Below are certain details of this project as of August 31, 2019:

Status	Under development
Estimated construction period	30 months
Actual commencement date	March 2017*
Estimated completion date	September 2019
Development costs incurred as of June 30, 2019	RMB334.3 million
Estimated development costs to be incurred as of June 30, 2019	RMB24.3 million
Total saleable GFA	78,320.0 sq.m.
Total saleable GFA pre-sold	40,139.8 sq.m.
Total GFA under development	105,173.3 sq.m.
Percentage of total saleable GFA pre-sold	51.3%

Note:

* We commenced the construction of a dormitory building for our workers in November 2009 when the nature of the land use rights was for industrial purposes. In December 2015, the land use rights were changed to residential purposes according to a supplementary land grant contract we entered with the local land bureau. We then renovated the building into a residential building for sale along with other residential buildings of Tianbao Green City.

5. Tianbao Lingyun City (天保凌雲城)

Tianbao Lingyun City (天保凌雲城) is a completed residential project. The project is located in Zhuozhou, Hebei Province. The project comprises high-rise apartments, commercial properties and car parks. As of August 31, 2019, the project occupied a total site area of approximately 26,666.7 sq.m. with an aggregate GFA of approximately 89,120.8 sq.m.

We entered into a land grant contract in relation to the project in January 2015 for the acquisition of the project land at the aggregate consideration of approximately RMB60.0 million. As of the Latest Practicable Date, all land premiums have been paid and all relevant land use rights certificates had been obtained for the project.

We obtained the certificate of completion for this project in April 2019. As of August 31, 2019, the total unsold saleable GFA was 17,688.8 sq.m.

Below are certain details of this project as of August 31, 2019:

Status	Completed
Actual construction period	36 months
Actual commencement date	April 2016
Actual completion date	April 2019
Development costs incurred as of June 30, 2019	RMB273.8 million
Total saleable GFA	60,902.6 sq.m.
Total saleable GFA sold	43,213.8 sq.m.
Percentage of total saleable GFA sold	71.0%

6. Ming Yang Phase I (明陽一期)

Mingyang Phase I (明陽一期) was a residential project under development by Zhuozhou City Mingyang Property as of August 31, 2019. The project is located in Zhuozhou, Hebei Province. Upon completion, the project will comprise high-rise apartments. As of August 31, 2019, the project occupied a total site area of approximately 17,593.3 sq.m. with a total planned GFA of approximately 48,665.5 sq.m.

Zhuozhou City Mingyang Property entered into a land grant contract in relation to the project in March 2007. The aggregate consideration of approximately RMB51.0 million was paid by us. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

Below are certain details of this project as of August 31, 2019:

Status	Under development
Estimated construction period	31 months
Actual commencement date	July 2017
Estimated completion date	January 2020
Development costs incurred as of June 30, 2019	RMB154.4 million
Estimated development costs to be incurred as of June 30, 2019	RMB24.5 million
Total saleable GFA	45,127.2 sq.m.
Total saleable GFA pre-sold	35,534.6 sq.m.
Total GFA under development	48,665.5 sq.m.
Percentage of total saleable GFA pre-sold	78.7%

ZHANGJIAKOU

Tianbao New City (天保新城) (Please refer to No. 7–No. 10 below)

Tianbao New City (天保新城) is a residential and commercial project located in Zhangbei area of Zhangjiakou, consisting of three phases. We entered into a land grant contract in relation to the whole project in May 2010 for the acquisition of the project land at the aggregate consideration of approximately RMB178.2 million. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

7. Tianbao New City Phase I (天保新城一期)

Tianbao New City Phase I (天保新城一期) is a completed residential and commercial project. The project comprises multi-story apartments, mid-rise apartments, high-rise apartments and commercial properties. As of August 31, 2019, the project occupied a total site area of approximately 66,351.8 sq.m. with an aggregate GFA of approximately 132,778.0 sq.m.

As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project. We obtained the certificate of completion for this project in December 2014. As of August 31, 2019, the total unsold saleable GFA was 9,145.7 sq.m.

Below are certain details of this project as of August 31, 2019:

Status	Completed
Construction period	44 months
Actual commencement date	April 2011
Actual completion date	December 2014
Development costs incurred as of June 30, 2019	RMB257.5 million
Total saleable GFA	121,080.0 sq.m.
Total saleable GFA sold	111,934.3 sq.m.
Percentage of total saleable GFA sold	92.4%

8. Tianbao New City Phase II (天保新城二期)

Tianbao New City Phase II (天保新城二期) is a completed residential and commercial project. The project comprises multi-story apartments, mid-rise apartments, high-rise apartments and commercial properties. As of August 31, 2019, the project occupied a total site area of approximately 66,340.0 sq.m. with an aggregate GFA of approximately 132,035.7 sq.m.

As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project. We obtained the certificate of completion for this project in January 2018. As of August 31, 2019, the total unsold saleable GFA was 8,226.0 sq.m.

Below are certain details of this project as of August 31, 2019:

Status	Completed
Construction period	31 months
Actual commencement date	June 2015
Actual completion date	January 2018
Development costs incurred as of June 30, 2019	RMB239.9 million
Total saleable GFA	118,368.2 sq.m.
Total saleable GFA sold	110,142.2 sq.m.
Percentage of total saleable GFA sold	93.1%

9. Tianbao New City Phase III (天保新城三期)

Tianbao New City Phase III (天保新城三期) was a residential and commercial project under development as of August 31, 2019. Upon completion, the project will comprise multi-story apartments, mid-rise apartments, high-rise apartments, commercial properties, car parks and child service facilities. As of August 31, 2019, the project occupied a total site area of approximately 92,189.5 sq.m. with a total planned GFA of approximately 241,355.8 sq.m.

As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

Below are certain details of this project as of August 31, 2019:

Status	Under development
Estimated construction period	29 months
Actual commencement date	March 2017
Estimated completion date	October 2019
Development costs incurred as of June 30, 2019	RMB565.8 million
Estimated development costs to be incurred as of June 30, 2019	RMB78.3 million
Total saleable GFA	211,032.7 sq.m.
Total saleable GFA pre-sold	134,558.9 sq.m.
Total GFA under development	241,355.8 sq.m.
Percentage of total saleable GFA pre-sold	63.8%

10. Zhangbei Zhongdu Ginza (張北中都銀座)

Zhangbei Zhongdu Ginza (張北中都銀座) was a commercial project under development as of August 31, 2019. Upon completion, the project will comprise apartments and commercial properties including a shopping mall and a kindergarten. As of August 31, 2019, the project occupied a total site area of approximately 8,106.7 sq.m. with a total planned GFA of approximately 86,690.5 sq.m.

As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

Below are certain details of this project as of August 31, 2019:

Status	Under development
Estimated construction period	47 months
Actual commencement date	July 2017
Estimated completion date	April 2021
Development costs incurred as of June 30, 2019	RMB68.8 million
Estimated development costs to be incurred as of June 30, 2019	RMB183.8 million
Total saleable GFA	78,194.1 sq.m.
Total saleable GFA pre-sold	—
Total GFA under development	86,690.5 sq.m.
Percentage of total saleable GFA pre-sold	—

11. Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目)

Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目) was a residential project under development as of August 31, 2019. The project is located in Zhangbei area of Zhangjiakou. Upon completion, the project will comprise multi-story apartments, mid-rise apartments, high-rise apartments, commercial properties and car parks. As of August 31, 2019, the project occupied a total site area of approximately 71,057.0 sq.m. with a total planned GFA of approximately 147,871.2 sq.m.

We entered into a land grant contract in relation to the project in July 2017 for the acquisition of the project land at the aggregate consideration of approximately RMB128.1 million. As of the Latest Practicable Date, all land premiums had been paid and all relevant land use rights certificates had been obtained for the project.

Pursuant to the contract signed with Housing and Zhangbei County Urban-Rural Planning and Construction Bureau, the project must be sold to government-designated resettlement households at government-fixed prices and cannot be sold to other customers.

Below are certain details of this project as of August 31, 2019:

Status	Under development
Estimated construction period	27 months
Actual commencement date	September 2017
Estimated completion date	December 2019
Development costs incurred as of June 30, 2019	RMB339.8 million
Estimated development costs to be incurred as of June 30, 2019	RMB132.6 million
Total saleable GFA	141,347.4 sq.m.
Total saleable GFA pre-sold	—
Total GFA under development	147,871.2 sq.m.
Percentage of total saleable GFA pre-sold	—

Tianbao Edelweiss City (天保雪絨花都) (Please refer to No. 12–No. 13 below)

Tianbao Edelweiss City (天保雪絨花都) is a residential and commercial project located in Yuxian area of Zhangjiakou, consisting of a residential community and a plaza. We entered into land grant contracts in relation to the whole project in December 2017 for the acquisition of the project land at the aggregate consideration of approximately RMB408.8 million. At of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

12. Tianbao Edelweiss City (Residential Community) (天保雪絨花都(住宅))

Tianbao Edelweiss City (Residential Community) (天保雪絨花都(住宅)) was a residential and commercial project under development as of August 31, 2019. Upon completion, the project will comprise multi-story apartments, high-rise apartments and commercial properties. As of August 31, 2019, the project occupied a total site area of approximately 100,368.0 sq.m. with a total planned GFA of approximately 190,887.2 sq.m.

As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

Below are certain details of this project as of August 31, 2019:

Status	Under development
Estimated construction period	33 months
Actual commencement date	December 2018
Estimated completion date	September 2021
Development costs incurred as of June 30, 2019	RMB395.4 million
Estimated development costs to be incurred as of June 30, 2019	RMB384.1 million
Total saleable GFA	92,641.5 sq.m.
Total saleable GFA pre-sold	29,430.9 sq.m.
Total GFA under development	190,887.2 sq.m.
Percentage of total saleable GFA pre-sold	37.4%

13. Tianbao Edelweiss City (Twin Tower) (天保雪絨花都(雙子座))

Tianbao Edelweiss City Twin Tower (天保雪絨花都雙子座) is planned to be developed into a commercial project. Upon completion, the project will comprise commercial buildings and commercial cultural streets. As of August 31, 2019, the project occupied a total site area of approximately 54,533.0 sq.m.

As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project. Construction for this project is expected to commence in November 2019 and to be completed in November 2021. We plan to commence pre-sales of this project in early 2020.

14. Tianbao Boyue Bay (天保鉑悦灣)

Tianbao Boyue Bay (天保鉑悦灣) is planned to be developed into a residential and commercial project. The project is located in Yuxian area of Zhangjiakou. Upon completion, the project will comprise mid-rise apartments, high-rise apartments and commercial properties. As of August 31, 2019, the project occupied a total site area of approximately 81,815.0 sq.m. with a total planned GFA of approximately 234,130.0 sq.m.

We entered into a land grant contract in relation to the project in December 2018 for the acquisition of the project land at the aggregate consideration of approximately RMB190.8 million. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

Construction for this project is expected to commence in August 2019 and to be completed in May 2022. We plan to commence pre-sales of this project in early 2020.

Tianbao Jingbei Health City (天保京北健康城) (Please refer to No. 15–No. 16 below)

Tianbao Jingbei Health City (天保京北健康城) is a residential and commercial project in Huailai area of Zhangjiakou.

15. Tianbao Hushan Yard (天保湖山大院)

Tianbao Hushan Yard (天保湖山大院) is planned to be developed into a residential project. Upon completion, the project will comprise high-rise apartments and other public service facilities. As of August 31, 2019, the project occupied a total site area of approximately 145,569.5 sq.m. with a total planned GFA of approximately 291,139.0 sq.m.

We entered into a land grant contract in relation to the project in September 2017 for the acquisition of the project land at the aggregate consideration of approximately RMB436.5 million. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

Construction for this project is expected to commence in December 2019 and to be completed in May 2022. We plan to commence pre-sales of this project in the middle of 2020.

16. Tianbao Jingbei Health City (Commercial Section) (天保京北健康城(商業部分))

Tianbao Jingbei Health City (Commercial Section) (天保京北健康城(商業部分)) was a medical-care project under development as of August 31, 2019. As the population is aging, there will be a growing demand for elderly-care and medical facilities in the future. Based on the concept of medical-care properties (醫療地產), upon completion, the project will comprise a hospital along with certain ancillary apartments and other public service facilities. As of August 31, 2019, the project occupied a total site area of approximately 54,168.9 sq.m. with a total planned GFA of approximately 140,863.7 sq.m.

We entered into a land grant contract in relation to the project in September 2017 for the acquisition of the project land at the aggregate consideration of approximately RMB86.9 million. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

Below are certain details of this project as of August 31, 2019:

Status	Under development
Estimated construction period	31 months
Actual commencement date	December 2018
Estimated completion date	July 2021
Development costs incurred as of June 30, 2019	RMB156.8 million
Estimated development costs to be incurred as of June 30, 2019	RMB242.9 million
Total saleable GFA	62,179.0 sq.m.
Total saleable GFA pre-sold	—
Total GFA under development	140,863.7 sq.m.
Percentage of total saleable GFA pre-sold	—

17. Zhangbei Zhongdu Garden (中都莊園)

Zhangbei Zhongdu Garden (中都莊園) is planned to be developed into a cultural-tourism project. The project is located in Zhangbei area of Zhangjiakou. Upon completion, the project will comprise residential buildings and commercial buildings. As of August 31, 2019, the project occupied a total site area of approximately 99,513.0 sq.m. with a total planned GFA of approximately 119,415.6 sq.m.

We entered into a land grant contract in relation to the project in January 2013 for the acquisition of the project land at the aggregate consideration of approximately RMB11.3 million. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

Construction for this project is expected to commence in the first half of 2020 and to be completed in May 2022. We plan to commence pre-sales of this project in early 2021.

18. Zhangbei Haiziwa Land Lot (張北海子窪地塊)

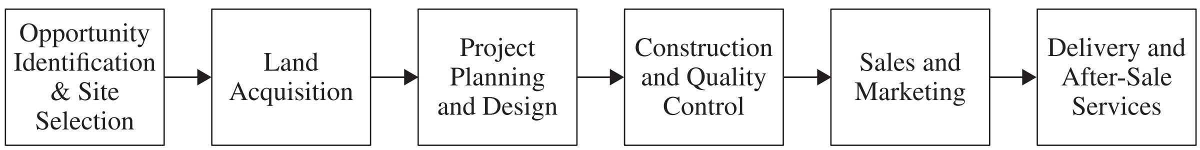
Zhangbei Haiziwa Land Lot (張北海子窪地塊) is planned to be developed into a residential and commercial project. The project is located in the Zhangbei area of Zhangjiakou. Upon completion, the project will comprise apartments and ancillary facilities. As of August 31, 2019, the project occupied a total site area of approximately 48,742.0 sq.m. with a total planned GFA of approximately 48,742.0 sq.m.

We entered into a land grant contract in relation to the project in February 2018 for the acquisition of the project land at the aggregate consideration of approximately RMB13.8 million. As of the Latest Practicable Date, all land premium had been paid and all relevant land use rights certificates had been obtained for the project.

Construction for this project is expected to commence in March 2020 and to be completed in December 2022. We plan to commence pre-sales of this project in June 2020.

Property Development and Sales Process

We have a well-established project development process which typically includes the major steps illustrated in the diagram below:



Depending on the project scale and complexity, it generally takes four to seven years for us to complete a project after acquiring the relevant land use rights.

Opportunity Identification and Site Selection

We place great importance on the site selection process because it is key to the success of our project development operation. In conjunction with our ongoing in-depth demographic and market research with respect to Hebei Province and other cities in the Beijing-Tianjin-Hebei Region, we continuously identify and assess potential development opportunities for new projects.

Based on our overall strategies and development plans, we conduct a feasibility study of the site through on-site investigation and market research. The feasibility analysis report contains detailed analyzes about the site's existing and potential commercial values.

We take into consideration factors including the following when conducting opportunity identification and site selection analyzes:

- general economic conditions, demographics, population density, composition of industry sectors and economic vitality of the region;
- disposable income and purchasing power of consumers;
- policy trends of the local government and urban planning and development plans of the local government;
- core values of the city and the surrounding areas;
- competitive landscape of the local property development market;
- suitability for property development and development prospects;
- convenience of the site's location, transportation network, infrastructure and ancillary facilities; and
- existing plot ratio and potential development scale.

Land Acquisition

We acquire land for our projects mainly through public tender, auction or listing-for-sale.

Public Tender, Auction or Listing-for-sale

We acquire land for our projects through public tender, auction or the listing-for-sale process organized by government authorities.

- In a public tender, an evaluation committee (typically including one representative of the grantor and other experts) evaluates the tenders submitted by bidders. In selecting the tender, the evaluation committee considers various factors including each bidder's bidding price, property development experience and track record, credit history, qualifications and development proposal.

- In an auction, local land bureaus hold the auction process and grant the land use rights to the bidder with the highest bidding price.

- In a listing-for-sale process, local land bureaus specify conditions for granting the land use rights before bids are submitted. The land use rights are granted to the bidders with the highest bidding price at the end of the listing-for-sale period.

See "Regulatory Overview — Land Use Rights for Property Development."

Project Planning and Design

We bring increased convenience and value-added experience to our customers based on their lifestyle and habits, by virtue of our strong in-house design capabilities and our product design philosophy which is to introduce customer-oriented designs that best suit the needs of our customers. We are also attentive to the landscape design of our products, so that to provide our customers with the best experience, which we believe also augment our brand recognition and complement the value of our properties. We also collaborate with third-party architectural and design firms who, together with our design professionals, assist in the research and discussion of the planning and design for the target projects, and, as well, in filing for approval and in commencing construction.

We collaborate with third-party architectural and design firms during this planning and design process to prepare more detailed architectural plans and design drawings. We select third-party architectural and design firms through competitive negotiation and upon careful consideration of the content, scale and positioning of the target projects. We currently maintain a strategic relationship with Hebei Tianyi Design Co,. Ltd. (河北天藝建築設計有限公司), and expect to deepen our cooperation with them in the future. They are familiar with our product requirements and have demonstrated strong design capabilities. As such, we believe it will be able to most efficiently assist us and reduce the overall timeframe required for product design and development.

Construction and Quality Control

Appointment of Our Construction Company

The construction work of our projects was undertaken by Tianbao Construction Group, our construction segment. Our construction segment has provided a complete range of construction services for our property development projects. The synergies between our property development and construction segments enable us to control the property development process in a thorough and effective way. See "— Our Competitive Strengths — We have achieved synergies between our property development business and construction contracting business which have enabled us to develop a diverse project portfolio, improving efficiency." In addition, Tianbao Construction Group possesses a Building Construction General Contracting Premium Qualification Certificate, enabling it to continue to act as general contractor for our projects as we expand into additional high-growth cities elsewhere in China. See "— Licenses, Permits and Qualification Certificates."

The construction contracts we enter into contain warranties provided by our construction segment with respect to construction schedules, as well as quality and safety standards. Our construction segment is required to pay liquidated damages in the event of delays and is responsible for the costs incurred in rectifying construction defects, before and after-completion and delivery. In addition, we may terminate a construction contract if our construction segment causes any material delay to the development schedule or irreparable damage to the project development. During the Track Record Period, we had not experienced or been subject to any material construction delay, penalty, claim or loss as a result of unsatisfactory work performed by our construction segment.

We make payments to our construction segment in installments in accordance with the terms and conditions stipulated in the construction contracts and the percentage required at each stage varies from case to case. In general, we pay our construction segment 90% of the full contract price when the construction work is completed, and pay 95% of the total contract price within one month upon project settlement. We generally withhold approximately 5% of the settlement amount of the entire project after deducting provisional sums and daywork labor costs, calculated upon completion and acceptance of the construction projects, as a retention fee. Such retentions will generally be returned to us in installments during the defects liability period or in full at the end of such period. The term of the defects liability period usually ranges from one year to five years, depending on the type of construction service provided. The retention fee is used to cover any contingent expenses incurred as a result of construction defects. During the Track Record Period, there was no incident for which the deposit was insufficient to cover the expenses incurred by us to rectify construction defects. See "— Construction Contracting Business — Business Process."

Procurement

During the Track Record Period, all of our raw materials, equipment and fixtures were procured in China. Our construction segment is generally responsible for the procurement of raw materials, such as concrete and steel, used in the construction process. See "— Construction Contracting Business — Raw Materials, Equipment and Machinery — Raw Materials." Such raw material costs are included in the pre-agreed contract prices with our construction segment. To maximize our economies of scale and bargaining power, we centrally procure certain equipment and fixtures, such as elevator and solar power devices. Under this synergistic model, we are able to purchase building materials, equipment and fixtures in bulk through our centralized purchase system for our multiple projects to further cut costs. In addition, to obtain favorable commercial terms and ensure a stable supply of certain materials, during the Track Record Period, we entered into a strategic cooperation agreement with two suppliers. We generally enter into a contract with a term of three years with our strategic supplier. In addition, we pay 5% to 30% of the contract price to our strategic suppliers upon signing the contract and settle the remaining amount prior to the delivery of goods.

Our property development segment does not maintain any inventory of construction materials. As we maintain a central supplier database for the equipment which we are responsible for purchasing, we have sufficient options and alternatives when a supplier fails to meet our demand, which largely prevents the risk of supply shortages. We did not experience any shortages or delays in the supply of raw materials having a material impact on our operations during the Track Record Period.

Construction Supervision and Quality Control

We place significant emphasis on quality control with regard to the construction and management of our projects. We believe that quality control is essential in establishing and strengthening the reputation of our brand. To ensure the quality of our projects as well as compliance with relevant laws and regulations, we have established a system of quality control policies and procedures to govern each aspect of the development process.

Our engineering management department is responsible for overseeing the overall construction process for each of our projects. It regularly reviews our projects under construction and conducts monthly on-site inspections, including overseeing the quality and progress of construction work and construction materials, to ensure all construction work is completed according to relevant timetables and in compliance with our quality standards and applicable national requirements. In compliance with relevant PRC laws and regulations, we engage independent certified construction supervision companies based on site to monitor the entire construction process. The construction supervision companies conduct quality inspections on construction materials and on-site workmanship checks to ensure that they meet our prescribed specifications and applicable regulatory requirements. In addition, all properties under development are inspected regularly by independent third party professionals prior to and upon delivery. Our construction segment will be responsible for administrative management and material management in the quality control process of our projects. See "— Construction Contracting Business — Quality Control and Management."

Our inspection process includes the following: (i) all materials and equipment are inspected when entering the site and samples are sent to qualified inspection units for approval. Materials and equipment with unsatisfactory inspection results cannot be used; (ii) all sub-divided phases of construction are inspected on-site by construction supervision companies and responsible persons from our engineering management department. Only when the inspection declares the work satisfactory at the particular stage and the engineers sign off can the next phase begin; and (iii) the construction work of a project must be inspected and confirmed by the design unit, surveying unit, construction segment, construction supervision company and us. The quality control standard set by the local government is the minimum threshold and we are establishing a higher standard for our internal quality control purposes.

In addition, we are also able to forge closer relationships with our subcontractors. Hiring a third party to handle construction can insulate the property developer from the subcontractors on the ground. Conversely, working directly with the subcontractors allows us to build a close relationship while ensuring quality work. Our construction segment is not allowed to subcontract or transfer their contractual agreements with us to third parties without our prior consent. When subcontracting to third parties under our consent, our construction segment is obliged to supervise and ensure the subcontractors' construction works are in strict compliance with our specifications and requirements. See "— Construction Contracting Business — Subcontracting."

During the Track Record Period, we had no disputes related to the quality of our construction segment having a material adverse impact on our business or financial condition. In addition, there was no material delay or failure to complete the construction work at any of our projects according to our planned specifications during the Track Record Period.

Civil Defense Areas

According to relevant PRC laws and regulations, new buildings constructed in cities for civil use should contain basement areas that can be used for civil defense purposes in times of war. We engage our construction segment to construct civil defense areas for property projects as required by the applicable PRC laws and regulations. The GFA percentage of the civil defense areas at our completed projects is in compliance with PRC laws and regulations. The GFA of civil defense areas depends on the size, nature and design of the project. During the Track Record Period and up to the Latest Practicable Date, we had three completed civil defense areas with an aggregate GFA of approximately 13,117.6 sq.m, and there were six civil defense areas under development, with an aggregate GFA of approximately 66,606.1 sq.m. Our PRC Legal Advisors have confirmed that we have obtained the required permits for construction of civil defense areas. The construction cost of civil defense areas is included in our inventories and is charged to cost of sales upon recognition of revenue.

Compliance with PRC Laws and Regulations

To comply with relevant PRC laws and regulations, before construction can commence, we must first obtain the development rights to the relevant land parcel and the necessary permits and certificates. Listed in the regulations are the land use rights certificate or the property rights certificate, the construction land planning permit, the construction work planning permit and the construction work commencement permit (which will only be issued after the land use rights certificate or the property rights certificate, the construction land planning permit and the construction work planning permit are obtained). As of the Latest Practicable Date, save as disclosed in "— Legal Proceedings and Compliance — Non-compliance Incidents," we had obtained land use rights certificates or property rights certificates and all relevant certificates and permits as required by the PRC laws and regulations for all of our projects or project phases under development and our completed projects.

Idle Land

We commence construction of our developments within the time prescribed by PRC laws and regulations so as to avoid our land being regarded as "idle land", under which circumstance we may be subject to certain penalties and the idle land might be retaken without any compensation. Under the Measures on Disposing of Idle Land (《閒置土地處置辦法》) promulgated by the MLR on April 28, 1999 and revised on June 1, 2012, "idle land" is defined as a grant of state-owned construction land for which there was (i) a failure to commence construction within one year from the construction date stated in the land grant contract or land allocation decision; or (ii) a suspension of construction for over one year and the area under construction is less than one third of the total area designated for construction or the invested capital is less than 25% of the total amount of capital earmarked for investment. Subject to certain limited exceptions, if we fail to commence construction for more than one year from the commencement date stipulated in the land grant contract, the land authorities may serve us with an idle land notice and impose an idle land fee equivalent to 20% of the land premium. Subject to certain limited exceptions, if we fail to commence construction for more than two years, the land is subject to forfeiture.

Zhangbei Zhongdu Garden, one of our residential properties developed by Zhangbei Tianbao Hengqi Property, did not commence its construction in September 2013, the commencement date stipulated in the land grant contract, due to the lack of power supply for construction which should have been provided and permitted by the local authorities. Based on the written confirmation issued by the Zhangbei Land and Natural Resources Bureau in connection with such project, we are not liable for the delay of the commencement of the construction and will not be imposed any punishments on us. Our PRC Legal Advisors confirmed that (i) Zhangbei Land and Natural Resources Bureau is the competent authority to provide the above written confirmation; and (ii) the likelihood of Zhangbei Tianbao Hengqi Property being penalized by the relevant authorities is remote. We currently expect to commence the construction of Zhangbei Zhongdu Garden in the first half of 2020. During the Track Record Period and up to the Latest Practicable Date, except for Zhangbei Zhongdu Garden, we did not hold any idle land and were not required to forfeit any land or pay any idle land fee by the governmental authorities. See "Risk Factors — Risks Relating to Our Industries and Businesses — Risks Relating to Our Property Development Business — The PRC regulatory authorities may impose fines on us or reclaim our land if we fail to comply with the terms of the land grant contracts or listing-for-sale confirmation letters."

Sales and Marketing

Pricing

Our ability to price our products at desired levels has been, and will continue to be, important to our results of operations. Generally, we determine the prices of our for-sale properties based on a variety of factors, including market conditions, competitive landscape and the price range of comparable properties in the market, expected investment returns, positioning of properties, target customers, locations, floors, facing directions, views, and cost of construction. We also adjust the prices of our for-sale properties during the sales process based on market response, especially when they are favorable. We occasionally make temporary downward adjustments to the prices to accelerate the turnover rate.

Pre-sales

We commence pre-sale activities for almost all of our residential and commercial projects prior to their completion. According to the applicable PRC laws and regulations, there are certain criteria which must be met before we may commence any pre-sale activities for a property under development. These conditions include full payment of the land grant premium and acquisition of all relevant land use rights certificates, construction-related permits and pre-sale permits. Further, under the applicable rules and regulations in Zhuozhou and Zhangjiakou, the use of pre-sale proceeds may also be subject to certain limitations. See "Regulatory Overview — Property Transfer and Sale — Pre-sale of commodity properties."

Sales, Marketing and Promotion

Our sales mainly target the mass market for properties located in the Hebei Province. Our customers vary depending on the location and positioning of our projects.

Our sales and marketing center implements instructions on project positioning, preliminary marketing, sales and marketing strategies and the overall sales and marketing process managed by our central marketing management department. Our sales and marketing center works closely with our preliminary marketing department in obtaining the necessary pre-sale permits. The sales and marketing center is also responsible for organizing and managing certain segments of the property development process, including negotiation of sales signing, down payments, mortgage applications and final settlements, as well as delivering the properties, and reporting to the marketing management department from time to time at our headquarter.

Our sales and marketing strategies include online and outdoor advertisements. Advertising volumes vary with each phase of a project. At the pre-sale stage, we invest in major media to increase online exposure, large-scale activities and introduction meetings to build momentum for our projects before the pre-sale phase. At later stages, we move to small-scale yet well-targeted outdoor activities near our project location to bolster the final sales. Advertisements greatly facilitate our sales activities in making the project better known to a wider range of potential customers.

We also engage reputable third-party property sales agents to facilitate the sales and marketing of our projects, depending on our familiarity with the area and our sales targets. The standard service agreements also stipulate that the sales agents must not conduct unauthorized sales or sell our properties at prices lower than those agreed by us, and that the sales agents must maintain out truth-in-advertising practices and comply with all applicable regulatory requirements. We have an internal guidance that regulates sales and marketing activities undertaken by both employees and agents. Our engagement of the sales agents is generally not exclusive. The sales agents do not receive any sales payments on behalf of us. Payments are made by the customers directly to company accounts designated by us. We did not have any material disputes with our sales agents during the Track Record Period.

Payment Arrangements

Customers usually purchase our properties in lump-sum payments or through mortgage loans. Customers who purchase properties by making a lump-sum payment are normally required to fully settle the total purchase price within the prescribed period after entering into the relevant sale and purchase agreements. Depending on the locality of the properties, customers who purchase properties with mortgage loans are required to place a down payment of no less than 20%–40% of the total purchase price upon entering into a sale and purchase agreement. The outstanding amounts are settled by the mortgagee banks within the prescribed period pursuant to the respective bank financing agreements. The minimum percentage of down payment is subject to changing government policies.

In line with the industry practice in China, we provide guarantees to mortgagee banks for the mortgage loans offered to our customers. These guarantees are typically released upon the issuance of the relevant property ownership certificates for the properties and the registration of the mortgage in favor of the mortgagee bank. If a purchaser defaults on a mortgage loan during the guarantee period, we are required to repay the outstanding balances owed to the mortgagee bank. We are assigned the title to the mortgage loan, giving us rights to the property, after settling such outstanding balances. In line with industry practice, we rely on the credit checks conducted by the mortgagee banks and do not conduct independent credit checks on our customers. As of April 30, 2019, outstanding guarantees provided by us in respect of mortgage loans of our customers amounted to RMB855.8 million. During the Track Record Period, we did not encounter any material incidents of default by our customers.

Delivery and After-sale Services

Delivery of Properties

We commence delivering properties upon the issuance of the delivery permit by notifying our customers of the delivery plan, inspecting the properties on-site with our customers and signing the property inspection and acceptance confirmation upon their satisfaction, confirming the transfer of title. We are responsible for assisting our customers to obtain the relevant individual property ownership certificates. The timeframes for delivery are set out in the relevant sale and purchase agreements. Under a typical sale and purchase agreement, we are liable to pay a monetary penalty on a daily basis until delivery of the property if we failed to deliver the property on the delivery day stipulated in the agreement. The amount of the penalty is usually decided upon further agreement by both parties. During the Track Record Period, we did not experience any delays in the completion and delivery of properties which had any material adverse impact on our business, financial condition and results of operations.

After-sale Services

We are committed to customer satisfaction and offer our customers comprehensive after-sale services, including, among others, client reception service and property management. Our client reception deals with feedbacks and complaints about our products and services. It is our policy to attend to any customer feedbacks or complaints in a timely manner. Third party property management companies provide maintenance, security and cleaning services for our customers after they move in the properties. We believe that our customers have considerable recognition of our after-sale services.

Warranties and Returns

We provide our customers with warranties for the quality of building structures pursuant to the Administrative Measures on the Sales of Commodity Housing (《商品房銷售管理辦法》) and Administrative Regulations on Urban Property Development and Operation (《城市房地產開發經營管理條例》). In addition, in accordance with the published national standards, we provide quality warranties for ground foundations, main structures, waterproofing work, water and electricity work, decorative work and sanitary wares. The warranty durations vary depending on the covered items and are usually for a period of two to five years. The warranty durations for ground foundations and main structures are the relevant reasonable lifespans stated in the design documents.

Our construction segment is responsible for rectifying quality defects in the properties. We may repair quality defects only if the construction companies cannot repair the defect in a timely manner. We generally withhold a retention fee of approximately 5% of the settlement amount of the entire project after deducting provisional sums and daywork labor costs, calculated upon completion and acceptance of the construction projects for approximately six months to two years to cover any contingent expenses that may be incurred as a result of any quality defects.

Except for the breach of a sale and purchase agreement by our customers or us, we do not allow returns of properties from our customers. There were returns of six properties from our customers during the Track Record Period due to breach of agreement by our customers. The purchase price of such six properties amounted to approximately RMB9.0 million in total. As of the Latest Practicable Date, we accepted returns of four properties while the customers of the remaining two properties agreed to honor the purchase agreements after the relevant courts ruled that the purchasers breached the purchase agreements. Our Directors confirm that there was no material financial impact on our financial position and results of operations in relation to such returns.

Project Financing

We finance our projects primarily through internal cash flows generated from our operating activities, including proceeds from the pre-sales and sales of properties, rental income and bank loans. We aim to finance our property developments with internal resources to the extent practicable so as to reduce the level of external funding required.

Sale and Pre-sale Proceeds

We use the proceeds from the pre-sales and sales of our properties to fund part of our construction costs, make interest payments and repay debt obligations.

Pre-sale proceeds are an integral source of our operating cash inflows during project development. According to the applicable PRC laws and regulations, there are certain criteria which must be met before we may commence any pre-sale activities for properties under development, and the use of pre-sale proceeds may be restricted by local governments in cities where we operate. See "— Property Development and Sales Process — Sales and Marketing" and "Regulatory Overview — Property Transfer and Sale — Pre-sale of commodity properties."

Bank Loans

Bank loans are our primary source of external financing. As of December 31, 2016, 2017, 2018 and the four months ended April 30, 2019, our outstanding bank loans amounted to RMB90.0 million, RMB220.0 million, RMB914.0 million and RMB814.0 million, respectively.

Our ability to obtain financing from banks for our projects depends on various economic measures introduced by the central and local governments. According to a guideline issued by the CBRC on August 30, 2004, no bank loans may be granted with respect to projects for which the land use rights certificates, construction land planning permits, construction work planning permits and construction work commencement permits have not been obtained. On May 25, 2009, the State Council issued a Notice on Adjusting the Capital Ratios for Fixed Asset Investment Projects (《關於調整固定資產投資項目資本金比例的通知》), which stipulates a minimum capital requirement of 20% for ordinary commodity apartments and indemnificatory housing and a minimum capital requirement of 30% for other property development projects. On September 9, 2015, the State Council promulgated the Notice on Adjusting and Improving the Capital System for Fixed Assets Investment Projects (關於調整和完善固定資產投資項目資本金制度的通知), according to which the minimum capital ratio for other property development projects is adjusted from 30% to 25%. See "Regulatory Overview — Property Financing — Trust financing."

Commercial Property Investment and Operations

In line with our business strategy, we own and operate the Baoxin International Building, which we developed for long-term investment purposes. We hold this property for capital appreciation and rental income. In 2016, 2017, 2018 and four months ended April 30, 2019, our revenue generated from commercial property investment and operations amounted to RMB1.6 million, RMB5.2 million, RMB8.6 million and RMB4.0 million, respectively, representing 0.2%, 0.4%, 0.5% and 0.7% of our total revenue in the respective periods.

We operate and manage our investment property through our commercial management department. Our commercial management department is responsible for execution, project management, tender recruitment, tenant management, lease management and finance and marketing cooperation. We strive to provide our customers with high-quality services and ensure that the operation of our investment property is in line with regional market demand, so as to enhance the competitiveness of our investment property. The quality and efficiency of our commercial management are also tied to the operating and financial results of our investment property.

In general, we enter into lease agreements for our investment property with a term that ranges from one to two years. In a typical lease agreement, we generally require the tenant to provide a security deposit that amounts to from 60% to 100% of the monthly rent. We are entitled to retain such security deposit if the tenant defaults on rental payments. Whether the tenant is required to pay property management fees to us is decided on a case-by-case basis. In general, we are entitled to terminate a lease if the tenant defaults on rental payment for more than 15 days, or subleases or renovates the leased property without our consent.

Baoxin International Building (保鑫國際大廈)

The Baoxin International Building is an office building located in Zhuozhou, Hebei Province. We commenced the commercial operation of the Baoxin International Building in 2016. The leased GFA with respect to the top five tenants in terms of rental income in the four months ended April 30, 2019 was 8,000 sq.m., 4,000 sq.m., 1,605.9 sq.m., 1,096.2 sq.m. and 986.1 sq.m., respectively, representing 39.4%, 19.7%, 7.9%, 5.4% and 4.9% of the total leased GFA of the Baoxin International Building.

A Hotel

As of August 31, 2019, Haiziwa Hotel (海子窪酒店) was a project under development. As of the Latest Practicable Date, we had not commenced operations at our Haiziwa Hotel and were in the process of obtaining necessary permits for the project. See "— Legal Proceedings and Compliance — Non-compliance Incidents." Conveniently located near Nasutu (那蘇圖) resort in Zhangjiakou, Hebei Province, Haiziwa Hotel will occupy a total site area of approximately 52,237.0 sq.m. and is expected to have an aggregate GFA of approximately 57,460.7 sq.m.

Haiziwa Hotel is wholly owned by us and we plan to retain a well-known hotel operator to manage the property.

Construction Contracting Business

Overview

During the Track Record Period, we generated a majority of our revenue from our construction contracting business. We commenced construction contracting business in 1998. During the Track Record Period, we generated a majority of our construction contracting revenue from construction projects located in Hebei Province, principally in Zhuozhou and Zhangjiakou. In 2016, 2017, 2018 and the four months ended April 30, 2019, our revenue generated from construction contracting projects in Hebei Province amounted to RMB630.1 million, RMB675.9 million, RMB1,005.7 million and RMB176.9 million, respectively, accounting for 78.7%, 56.2%, 62.8% and 32.5% of our total revenue, respectively. In the same periods, our revenue generated from construction contracting projects in Zhuozhou amounted to RMB488.8 million, RMB573.9 million, RMB784.6 million and RMB130.5 million, respectively, accounting for 61.1%, 47.7%, 49.0% and 24.0% of our total revenue, respectively. Our construction projects in other geographical locations were mainly in Beijing, Sichuan, Anhui and Zhejiang Provinces.

Contracting Model

During the Track Record Period, we completed over 530 construction projects. We undertook most of such construction projects as a general contractor. As a general contractor, we perform all major aspects of the construction project, including building construction, foundation works, curtain wall construction, building decoration and fireproofing projects. We are also responsible for engaging subcontractors to provide construction services and the labor force for the construction project, coordinating the work of all parties, providing the major equipment and machinery, procuring raw materials and ensuring that the construction project remains on schedule. Major construction projects in which we act as a general contractor typically require one to three years to complete. We believe undertaking construction projects as a general contractor reflects our overall capabilities and is significant to our continued success. Having obtained the Premium Class Certificate in 2017, we are able to, and expect to continue to be able to, undertake larger-scale building construction projects with increased complexity and higher returns nationwide, as well as charge a premium rate for our services. For a summary of the types of construction contracting services we are licensed to provide, see "— Licenses, Permits and Qualification Certificates."

In addition to construction contracting as a general contractor, we also undertake specialized construction projects directly subcontracted by the general contractor or project owner, such as renovation and decoration construction, steel structure construction and curtain wall construction projects.

Project Types

Our construction contracting business mainly comprises building construction, infrastructure construction and industrial and commercial construction. The following table sets forth the breakdown of revenue generated from our construction contracting business by project type for the years indicated:

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	Revenue *(RMB'000)*	% of revenue	Revenue *(RMB'000)*	% of revenue	Revenue *(RMB'000)*	% of revenue	Revenue *(RMB'000)* ***(unaudited)***	% of revenue	Revenue *(RMB'000)*	% of revenue
Building construction	388,451	53.7	527,177	56.8	723,300	60.2	152,882	56.3	151,901	56.3
Infrastructure construction	275,259	38.1	355,472	38.3	300,073	25.0	91,194	33.6	78,504	29.1
Industrial and commercial construction	59,024	8.2	45,526	4.9	178,107	14.8	27,412	10.1	39,534	14.6
Construction contracting business	**722,734**	**100.0**	**928,175**	**100.0**	**1,201,480**	**100.0**	**271,488**	**100.0**	**269,939**	**100.0**

We provide construction work of buildings and corresponding building services for our building constructions projects. Our building construction customers are primarily property developers and local government entities.

In addition to building construction, which has been our core business, we also provide construction contracting services for municipal and public infrastructure projects. Our infrastructure construction projects primarily consist of urban roads, bridges, facilities for water supply and treatment, urban pipelines, city squares and street lighting. Our infrastructure construction customers are primarily local government entities.

We are also increasingly undertaking industrial and commercial construction contracting. These projects include steel structure, landscaping for gardens, industrial construction and preservation of antiquities and historical buildings. Our industrial and commercial construction customers are enterprises in diverse industries.

Major Construction Projects

The following table sets forth the details of the 10 largest construction projects by revenue among over 530 construction projects which we undertook during the Track Record Period:

Project name	Project type	Project location	Project commencement date	Time of completion[(1)]/ expected time of completion[(2)]	Total revenue recognized during the Track Record Period	Total gross profit recognized during the Track Record Period	Contract value[(3)]	Contract value of projects in the backlogs
					(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)*
Zizhuyuan Residence (紫竹園住宅小區項目)	Residential	Zhuozhou	June 2017	December 2018	145.7	12.3	160.8	—
Qingshui Hepan (清水河畔項目)	Residential	Zhangjiakou	September 2016	October 2019	140.3	6.4	144.5	—
Fuhe Area Residence (府河片區住宅樓小區項目)	Residential	Baoding	August 2014	December 2018	129.2	5.9	221.0	—
Jinpin Shidai Residence External Network Construction (金品時代住宅社區外網工程)	Residential	Zhuozhou	April 2016	August 2018	126.2	7.9	130.0	—
Yangguang Shangcheng Affordable Housing (陽光尚城保障房項目)	Residential	Zhuozhou	December 2013	September 2019	96.0	7.0	120.0	21.1
Chengyiyuan Residence (呈頤園住宅小區項目)	Residential	Zhuozhou	January 2017	November 2018	94.3	6.3	104.3	—

Project name	Project type	Project location	Project commencement date	Time of completion[1]/ expected time of completion[2]	Total revenue recognized during the Track Record Period	Total gross profit recognized during the Track Record Period	Contract value[3]	Contract value of projects in the backlogs
					(RMB in millions)	*(RMB in millions)*	*(RMB in millions)*	*(RMB in millions)*
Jingdu Real Estate Residence Project (京都置業住宅項目)	Residential	Zhuozhou	March 2018	November 2019	92.9	5.7	116.1	14.2
Jingdu Tourism Townhouses (京都旅遊聯排住宅項目)	Residential	Zhuozhou	August 2017	November 2018	89.3	6.5	98.6	—
Jingdu High-rise Apartments (京都高層住宅樓項目)	Residential	Zhuozhou	March 2017	December 2018	82.5	2.2	91.2	—
Shengshi Jiayuan Residence (盛世佳園住宅小區項目)	Residential	Zhuozhou	April 2016	December 2018	71.2	3.4	73.3	—

(1) "Time of completion" represents the time when we submitted the project completion report to our customers.

(2) "Expected time of completion" represents the time of completion set forth in our construction contracting contracts or the time of completion as later agreed upon with our customers.

(3) The contract values for the projects which commenced and completed during the Track Record Period exceeded the total revenue recognized during the same periods primarily because the contract values included VAT in addition to the sum of construction service fee, while our revenue was recognized net of VAT.

The following table shows the revenue recognized from our 10 largest construction projects during the Track Record Period:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2019	Total
	(RMB in millions)				
Zizhuyuan Residence (紫竹園住宅小區項目)	—	43.1	102.6	—	145.7
Qingshui Hepan (清水河畔項目)	35.7	27.5	77.1	—	140.3
Fuhe Area Residence (府河片區住宅樓小區項目)	37.3	39.3	52.6	—	129.2
Jinpin Shidai Residence External Network Construction (金品時代住宅社區外網工程)	19.9	30.7	75.6	—	126.2
Yangguang Shangcheng Affordable Housing (陽光尚城保障房項目)	48.5	47.5	—	—	96.0
Chengyiyuan Residence (呈頤園住宅小區項目)	15.8	39.7	38.8	—	94.3
Jingdu Real Estate Residence Project (京都置業住宅項目)	—	—	63.4	29.5	92.9
Jingdu Tourism Townhouses (京都旅遊聯排住宅項目)	—	31.3	58.0	—	89.3
Jingdu High-rise Apartments (京都高層住宅樓項目)	—	44.8	37.7	—	82.5
Shengshi Jiayuan Residence (盛世佳園住宅小區項目)	15.4	19.7	36.1	—	71.2
Total	**172.6**	**323.6**	**541.9**	**29.5**	**1,067.6**

Backlog and New Contract Value

Backlog

Backlog refers to our estimate of the contract value of work that remains to be completed as of a certain date. The contract value represents the amount that we expect to receive under the terms of the contract, assuming the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles. See "Risk Factors — Risks Relating to Our Industries and Businesses — Risks Relating to Our Construction Contracting Business — Backlog is subject to unexpected adjustments and cancelations and, therefore, may not be indicative of our future results of operations."

The following table sets forth the outstanding contract value of projects in our backlog for our building construction business, infrastructure construction business, and industrial and commercial construction businesses as of the following dates:

	As of December 31,						As of April 30,	
	2016		2017		2018		2019	
	Contract value *(RMB in millions)*	% of total	Contract value *(RMB in millions)*	% of total	Contract value *(RMB in millions)*	% of total	Contract value *(RMB in millions)*	% of total
Building construction	857.5	79.0	708.0	68.7	1,307.6	76.4	1,424.8	77.1
Infrastructure construction	158.1	14.6	275.1	26.7	223.5	13.1	261.0	14.1
Industrial and commercial construction	69.6	6.4	48.0	4.6	181.0	10.5	161.3	8.8
Total	**1,085.2**	**100.0**	**1,031.1**	**100.0**	**1,712.1**	**100.0**	**1,847.1**	**100.0**

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as of April 30, 2019 of RMB3,725.4 million on page I-45 of this prospectus included remaining performance obligations of both of construction contracting segment of RMB1,847.1 million and property development segment of RMB1,878.3 million.

We intend to finance the construction projects in our backlog primarily from customer progress payments, cash and cash equivalents and bank borrowings.

New Contract Value

New contract value represents the aggregate value of contracts entered into by us 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 by us in accordance with its terms.

The following table sets forth the movement of the number of our construction projects during the years/periods indicated:

	Year ended December 31,			Four months ended April 30,	Six months ended June 30,
	2016	2017	2018	2019	2019
Opening number of projects[1]	36	61	86	60	60
Number of new construction projects[2]	217	176	138	45	80
Number of completed construction projects[3]	(192)	(151)	(164)	(36)	(45)
Closing number of projects[4]	61	86	60	69	95

Notes:

(1) Opening number of projects means the number of construction projects where the percentage of completion had not reached 100% as of the beginning of the relevant year or period indicated.

(2) Number of new construction projects means the number of construction projects awarded to us during the relevant year or period indicated.

(3) Number of completed construction projects means the number of construction projects where the percentage of completion reached 100% during the relevant year or period indicated.

(4) Closing number of projects means the number of construction projects where the percentage of completion had not reached 100% as of the end of the relevant year or period indicated.

The following table sets forth the movement of backlog of our construction projects during the periods indicated:

	Year ended December 31,			Four months ended April 30,	Six months ended June 30,
	2016	**2017**	**2018**	**2019**	**2019**
			(in millions)		
Opening value of backlog	497.8	1,085.2	1,031.1	1,712.1	1,712.1
Contract value of new projects[1]	1,384.5	947.1	1,969.8	429.0	554.3
Contract value of revenue recognized[2]	(797.1)	(1,001.2)	(1,288.8)	(294.0)	(354.4)
Closing value of backlog[3]	1,085.2	1,031.1	1,712.1	1,847.1	1,912.0

Notes:

(1) Contract value of new contracts means the total contract value of new construction contracting contracts which were awarded to us during the relevant year or period indicated.

(2) Contract value of revenue recognized means the revenue that has been recognized during the relevant year or period indicated with VAT.

(3) Closing value of backlog means the total contract value for the remaining work of construction projects before the percentage of completion of such projects reach 100% as of the end of the relevant year or period indicated.

The following table sets forth the aggregate value of new contracts entered into by us with respect to our construction contracting business for the periods indicated:

	Year ended December 31,						Four months ended April 30,	
	2016		2017		2018		2019	
	Contract value *(RMB in millions)*	% of total	Contract value *(RMB in millions)*	% of total	Contract value *(RMB in millions)*	% of total	Contract Value *(RMB in millions)*	% of total
Building construction	931.6	67.3	433.0	45.7	1,384.6	70.3	282.7	65.9
Infrastructure construction	407.0	29.4	488.1	51.6	271.5	13.8	123.0	28.7
Industrial and commercial construction	45.9	3.3	26.0	2.7	313.7	15.9	23.3	5.4
Total	**1,384.5**	**100.0**	**947.1**	**100.0**	**1,969.8**	**100.0**	**429.0**	**100.0**

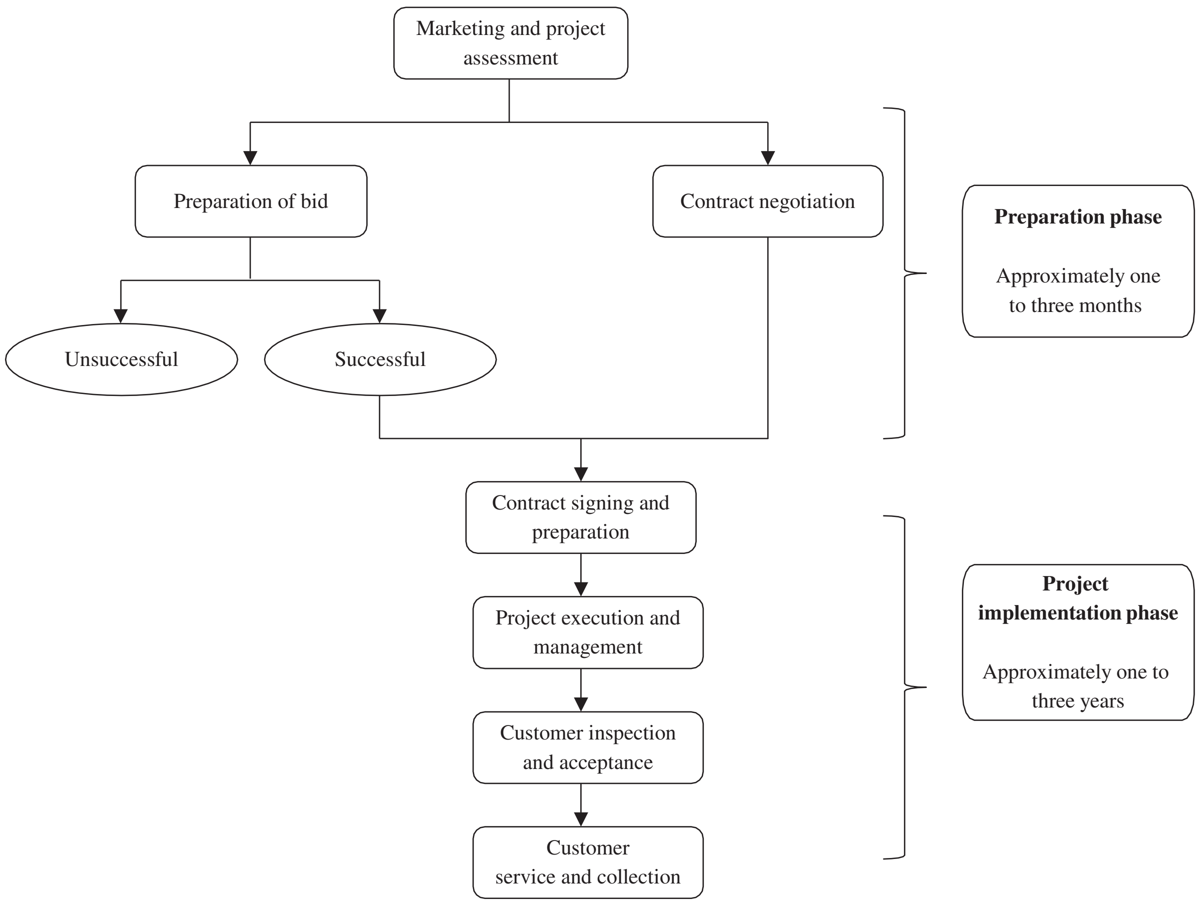
The following table sets forth a breakdown of the number of construction contracts by contract value with respect to our construction contracting business for the periods indicated:

	Year ended December 31,									Four months ended April 30,		
	2016			2017			2018			2019		
Contract Value Range	Number of contracts	Total contract value *(RMB in millions)*	% of total	Number of contracts	Total contract value *(RMB in millions)*	% of total	Number of contracts	Total contract value *(RMB in millions)*	% of total	Number of contracts	Total contract value *(RMB in millions)*	% of total
Within RMB50 million	115	24.4	1.8	78	16.1	1.7	38	8.5	0.4	44	204.2	47.6
RMB50 million to RMB100 million *(excluding RMB100 million)*	26	20.1	1.4	15	10.7	1.1	23	17.0	0.9	—	—	—
RMB100 million to RMB300 million	34	58.4	4.2	40	71.4	7.6	38	66.9	3.4	1	224.8	52.4
Over RMB300 million	42	1,281.6	92.6	43	848.9	89.6	39	1,877.4	95.3	—	—	—
Total	**217**	**1,384.5**	**100.0**	**176**	**947.1**	**100.0**	**138**	**1,969.8**	**100.0**	**45**	**429.0**	**100.0**

We expect that the amount of revenue to be recognized for the year ending December 31, 2019 and thereafter for our ongoing construction contracts as of April 30, 2019 would be RMB658.7 million and RMB1,039.0 million, respectively. The amounts of our revenue to be recognized for the year ending December 31, 2019 and thereafter is our estimation based on the projects for which our Group had signed the relevant construction contracts and may not be considered and/or is not a forecast in relation to our Group's future performance. In addition, the backlog revenue disclosed herein only reflects the situation as of April 30, 2019 and the highest caution shall be exercised in making comparison as to the backlog revenue and any of our historical financial results (whether contained in this prospectus or in the Accountants' Report set out in Appendix I to this prospectus), given that the backlog revenue (a) is not a historical fact; (b) was determined based on the projects for which our Group had signed construction contracts as of April 30, 2019; (c) was arrived at after taking into account of various bases and assumptions (among others, our Director's estimation of project progress based on the plan of construction projects issued by the relevant project owners) which are inherently susceptible to any unforeseeable material changes or development in the future; and (d) is subject to the materialization of any of the risks set out in "Risk Factors" of this prospectus.

Business Process

The following flowchart summarizes the key stages of our operation process in our construction contracting business.



Marketing and Project Assessment

A majority of our construction projects are identified through the efforts of our marketing department. See "— Sales and Marketing." As certain construction projects require public bidding under PRC laws and regulations, we collect information regarding construction projects that is available on websites where such projects are posted. There are also certain construction projects identified by our property development business segment in the absence of public bidding. See "— Property Development Business — Property Development and Sales Process — Construction and Quality Control."

After we determine which construction projects are available, we conduct an internal assessment of the projects we may wish to pursue. Our review of potential projects is based on a number of factors, such as technical specifications of the project, costs, commercial terms, project location, project prospects and potential, customer background and whether the necessary licenses, qualifications and permits have been obtained.

Preparation Phase

Our construction projects are generally awarded through a bidding process or by contract negotiations with our customers. In accordance with the Tender and Bidding Law of the PRC (中華人民共和國招標投標法), certain construction projects related to public welfare must be awarded through bidding. See "Regulatory Overview — Administration of Tender and Bid." Generally, the preparation phase of each construction project ranges from one to three months.

If we are required to submit a bid for the construction project, we first conduct a detailed analysis of the proposed construction project, including a comprehensive review of the technical and commercial conditions and requirements, the work scope of the project and a cost and risk assessment. With such an analysis, we put together a draft bid. Our draft bids generally include a proposed project schedule and timeline for each construction stage as well as a schedule of rates, which primarily includes the rates charged for raw materials, equipment and machinery and labor. Our draft bids must be reviewed by our bidding management department. Typically, our bid preparation process can take one to three weeks and we generally receive the bid results from our customers within three days after our submission.

If we are successful in our bid for a construction project, we evaluate the terms provided in our customers' contract. Our bidding management department has the responsibility of conducting contract negotiations with our customers. The negotiated terms of the construction contracting contract will then be passed through a sign-off process.

Some of our construction projects are awarded through contract negotiations with our customers. If the construction project is negotiated with our customer and does not require a bidding process, we will conduct further diligence on the construction project and devise the contract terms accordingly. Upon internal approval of such contract terms, we will engage in contract negotiations with our customers following the same negotiation and review process as discussed above.

Project Implementation Phase

Project Preparation

Upon execution of the construction contracting contract, we will commence the implementation of construction projects by forming a project management team. We will also assist our customers in obtaining the necessary permits to commence the construction work. We also prepare for the construction projects by forming construction plans in accordance with the construction blueprint design, terms of the construction contracting contract and bid documents, as well as making plans to purchase raw materials and for leasing or procuring machinery and equipment.

Project Execution and Management

Our construction projects typically take one to three years to complete. We have established project management and control procedures and conducted our construction contracting business in accordance with such procedures to ensure compliance with contract requirements. During the course of the construction projects, our customers, or independent surveyors engaged by our customers, conduct inspections. See "— Quality Control and Management." We communicate regularly with our customers during the construction process to ensure that our performance meets their expectations.

Our construction projects are managed by our technical quality department and our production safety department. In addition, our human resources department assigns a project management team to each project. The size of a project management team increases proportionally with the increase in scale and complexity of the construction project. Our project management teams typically comprise project managers and technical managers, as well as staff teams responsible for project construction, quality and safety standards, materials, information, and sampling.

Our project managers are mainly responsible for coordinating and managing the construction projects, allocating work within the project management team and organizing plans for construction and procurement, as well as coordinating with the customer, independent surveyors, suppliers and subcontractors, if any. As of April 30, 2019, we had 50 Class A Constructor License holders and 51 Class B Constructor License holders.

Customer Inspection and Acceptance

Upon completion of the construction project and after the project passes our internal inspection, we submit a project completion inspection report to our customers. Our customers or third-party inspectors engaged by our customers, the survey and design professionals and the relevant government authorities then conduct inspections on the project. From time to time, our customers may require us to make certain modifications or reconstruction upon inspection. Upon passing the inspection, we will receive an acceptance of our project completion inspection report issued by relevant government authorities with signatures of parties involved in the inspection process, which is to certify the completion of the project. Thereafter, we will settle our accounts with the customer after a prior internal review of such accounts and in accordance with the review report agreed to by our customer and us to certify the settlement amount.

Customer Service and Collection of Retention Fee

Upon completion of the construction project and during the defects liability period, we are responsible for any defects arising from construction under the terms of our construction contract. Our customers generally withhold approximately 5% of the settlement amount of the entire project after deducting provisional sums and day-labor costs, calculated upon completion and acceptance of the construction projects, as retention fee. Such retentions will generally be returned to us in installments during the defects liability period or in full at the end of such period. The term of the defects liability period usually ranges from six months to two years, depending on the type of construction service we provide. During the Track Record Period, we collected the majority of the retention fees retained by our customers pursuant to the contract terms as they became due.

Price Determination

We generally provide a price quote during the bidding process or engage in price negotiations with our customers. Our price quote is determined primarily based on a number of factors, including (i) the availability and costs of raw materials and equipment and machinery, labor and subcontractors, (ii) pricing guidance issued by supervisory bodies and industry committees (if applicable), (iii) project schedule, the complexity and scale of the construction project, and the potential modification of the scope of work, (iv) geographical location and environmental condition of the project site, (v) our estimation of the competing bids, and (vi) contractual risks.

We may negotiate construction contracts on a fixed-price or variable-price basis, which enables us to manage our exposure to cost fluctuations. Generally, the value of our fixed-price contracts may be adjusted: (i) if we experience major raw material price fluctuations above a certain percentage; (ii) if we are required to provide additional services; or (iii) if certain force majeure events occur. The amount of such adjustments in the price of raw materials is generally determined based on guidances published by the government. Under most of our variable-price contracts, our fees are determined by a unit price and the total volume of actual work performed. The unit price may be fixed or may reference a government-published price, and we may adjust such price through negotiation with our customer.

Contract Terms

Our construction contracts specify the major terms of a project, such as pricing, payment schedule, project schedule, warranty, price adjustment, performance guarantees 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 contracts are summarized as follows:

- *Payment schedule.* Some of our construction contracting contracts require an advance payment from our customers, which may be in an amount equal to 10% of the contract value, normally used to cover various costs incurred in the early stages of the project. Payments for our construction contracting services are generally made in: (i) monthly progress payments; or (ii) payment upon achieving certain key milestones set forth in our construction contracting contracts. We generally prepare a review report based on our internal review after our customer accepts our construction project. Our customers may settle the accounts with us based on our construction audit report, or engage an independent consultant to perform an audit.

- *Performance guarantee.* We are sometimes required to provide a performance guarantee in the form of a deposit, from which the customer is entitled to deduct if we fail to fulfill certain obligations set forth in the construction contracting contract. In most cases, the performance guarantee will not exceed 10% of the contract value or a specified amount stipulated in the construction contract. These obligations usually pertain to project quality, project schedule and safety management.

- *Project delays.* If the project is delayed through no fault of ours, including a material expansion of scope of work or the occurrence of a force majeure event, we will normally be granted an extension equal to such delay. If one party causes a delay in the project schedule, that party shall pay liquidated damages to the other party in terms stated in the agreement. Our Directors advise that, 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, including labor subcontracting and specialized construction subcontracting such as waterproof work, foundation construction and installation of fireproofing equipment. Frequently, as is customary in China construction industry, we engage subcontractors to provide labor services. Generally, our customers' approval must be obtained before we engage subcontractors, but labor subcontracting is an exception. See "— Subcontracting."

- *Term.* The term of our construction contracts depends on the estimated time required to complete the construction project, which generally is one to three year.

- *Termination.* Generally, our construction contracts may be terminated by mutual agreement between the parties thereto.

Credit Policy

Pursuant to our internal control policies, we are required to perform verification procedures on all customers trading on credit terms and to maintain strict control over our outstanding trade receivables. As of December 31, 2016, 2017, 2018 and the four months ended April 30, 2019, our trade receivables were RMB236.1 million, RMB235.4 million, RMB321.4 million and RMB141.7 million, respectively. Our average trade receivables turnover days were 78, 75, 67 and 54 days in 2016, 2017, 2018 and the four months ended April 30, 2019, respectively. See "Financial Information — Liquidity and Capital Resources" for a discussion of our trade receivables and the calculation method of our average trade receivables turnover days. Our management regularly reviews our overdue balances. See "Financial Information — Market Risk Disclosure — Credit Risk."

Seasonality

Our construction contracting business is subject to seasonality. We attribute this seasonality to the effect that the winter months have on our construction operations in northern China as well as the effect of the Chinese New Year during which most of our projects and constructions are suspended. In recent years, we have been ordered by authorities to temporarily halt certain construction projects during times of severe air pollution. Also, we may experience cost increases or delays when conducting our business operations during particular seasons. See "Risk Factors — Our construction contracting business is subject to seasonality" and "Risk Factors — Risks Relating to Our Industries and Businesses — Risks Relating to Our Construction Contracting Business — Our business operations are subject to adverse weather conditions, severe air pollution, natural disasters and other operating hazards."

Raw Materials, Equipment and Machinery

Raw Materials

Our principal raw materials are steel and concrete. In 2016, 2017, 2018 and the four months ended April 30, 2019, the cost of raw materials amounted to RMB426.9 million, RMB540.1 million, RMB671.6 million and RMB154.9 million, respectively, representing 61.6%, 61.8%, 59.3% and 60.6% of our cost of sales for the construction contracting business, respectively. We generally pass the risk of price fluctuations with respect to our raw materials to our customers by introducing price adjustment terms into the construction contracts. We do not keep a significant amount of raw materials in our inventories to minimize inventory costs and the risks associated with price fluctuations in raw materials. During the Track Record Period, we did not experience any major price fluctuations, delays or shortages in our supply of raw materials, and we do not anticipate significant difficulty in obtaining alternative sources of supply if necessary. For more information about the effects that changes in the price and availability of raw materials to our operating results, see "Financial Information — Description of Selected Components of Our Consolidated Statements of Profit or Loss — Cost of Sales" and "Risk Factors — Risks Relating to Our Industries and Businesses — Risks Relating to Our Construction Contracting Business — Our results of operations may be significantly affected by changes in the prices and availability of labor and raw materials."

Equipment and Machinery

We rely on a range of equipment and machinery to perform our construction contracting business. We determine the specification, duration and quantity for equipment and machinery required in each project on a case-by-case basis, taking into account factors such as project size, project nature, height of buildings, cost and resource allocation, and project specification by the project owner. We lease all major equipment and machinery for our construction projects, such as cranes, lifts, excavators and dump trucks to meet the needs of our construction projects and to lower overhead costs for equipment and machinery. For the leased equipment and machinery, leasing companies are responsible for the repair or replacement during the leasing period. During the Track Record Period, sufficient construction equipment and machinery were available for our construction projects through effective allocation of our owned and leased construction equipment and machinery.

Procurement Policy and Contract Terms

We have a strict procurement policy and approval system. Our procurement of raw materials and leasing of equipment and machinery are typically conducted either through a bidding process or directly from suppliers selected from a list of qualified suppliers.

We enter into supply contracts with our suppliers, primarily raw material suppliers, on a project-by-project basis. The key terms included in most of our supply contracts are summarized as follows:

- *Pricing.* Prices of our raw materials are not fixed under the supply contracts and are determined by a unit price and the total volume of raw materials delivered. The unit price is agreed upon by negotiation with our suppliers or by reference to guidances published by the government.

- *Payment schedule.* Payment schedules for our raw materials vary by supplier and type of raw materials procured. Generally, payments are made in installments upon achieving certain key milestones set forth in our supply contracts.

- *Delivery, inspection and acceptance.* Raw materials are generally delivered by our suppliers to designated warehouses or construction sites. Our supply contracts stipulate whether we or our suppliers will bear the delivery fees. Generally, damages arising from such delivery are borne by our suppliers. We inspect the quality and volume of raw materials upon delivery, which must meet our specifications before they are accepted.

- *Liquidated damages.* Our suppliers are liable for liquidated damages if: (i) the delivery is delayed; (ii) the raw materials fail to meet our quality specifications; or (iii) quality defects in the raw materials cause our construction projects to be suspended to await reconstruction or lead to unsafe conditions at our construction projects. We may be subject to liquidated damages for delays in payment due for our raw materials in accordance with contract terms. During the Track Record Period and up to the Latest Practicable Date, we did not pay any material liquidated damages to our suppliers.

Subcontracting

During the Track Record Period, we engaged subcontractors to provide certain construction services and labor at our construction projects. We are selective in the subcontractors we work with and implement stringent management procedures to supervise closely our subcontractors' activities. During the Track Record Period, we did not incur any material damages, penalties or other liabilities arising from the contractual violations or misconduct of our subcontractors.

Construction Services Subcontracting

We engage subcontractors from time to time to provide certain ancillary construction services if our customers so require, or if in the interest of the construction project, we believe it is more beneficial to subcontract certain construction services. During the Track Record Period, we primarily subcontracted waterproof work, foundation construction and installation of fireproofing equipment, and to our best knowledge, mainly to Independent Third Parties. We select our subcontractors from our list of qualified subcontractors, with many of whom we have established long-term relationships ranging from three to five years. Save as disclosed in the section headed "Continuing Connected Transactions — 4. Contractor Framework Agreement" in this prospectus, we engage our subcontractors on a project-by-project basis and do not enter into framework subcontracting agreements. On April 22, 2019, our Company entered into a contractor framework agreement with Zhuozhou Longhuixin Decoration, a connected person of our Company, pursuant to which our Group agreed to engage Zhuozhou Longhuixin Decoration as our construction sub-contractor for provision of ancillary construction services.

The terms of our subcontracting arrangements with construction subcontractors may vary depending on our contracts with our customers. We usually make payments upon achieving certain key milestones and retain a retention fee of approximately 5% of the settlement amount of the entire project after deducting provisional sums and daywork labor costs, calculated upon completion and acceptance of the construction projects for a period of six months to two years. We also require our subcontractors to comply with the quality and safety standards. In the event of any failure by our subcontractors to meet our quality and safety standards, we may terminate the construction subcontracting contracts or claim liquidated damages. See "Risk Factors — Risk Factors Relating to Our Industries and Businesses — Risks Relating to Our Construction Contracting Business — We have limited control over the quality, availability and performance of our construction subcontractors. If such parties fail to deliver quality services in a timely manner, our reputation and business operation may be adversely affected."

Labor Force Subcontracting

As is customary in China construction industry, aside from personnel in our project management department, we do not employ our own construction labor force. During the Track Record Period, we entered into labor services contracts with 15 Independent Third Parties.

According to our labor services contracts, we typically make progress payments. We train our subcontracted workers in quality, occupational health and safety matters before commencement of each construction project, while the labor subcontracting agent is primarily responsible for complying with and implementing our internal control policies, conducting training of the subcontracted workers and monitoring their adherence to our safety measures and procedures. We are entitled to terminate the contracts or claim damages in the event of delays caused by our labor subcontracting agents.

Sales and Marketing

Our construction contracting customers mainly include property developers and local government entities in China. We have been able to establish long-term and stable relationships with our customers by leveraging our track record of providing high-quality, timely and safe construction contracting services. Most of our large customers have engaged in projects with us multiple times, and our longest period of cooperation with existing customers has been over 10 years. During the Track Record Period, we had 87 recurring customers to whom we have provided services in two or more projects. We continue to have designated members of our senior and mid-level management to maintain relationships with major clients by conducting periodic visits to understand their needs and level of satisfaction and to learn about new projects. We typically win contracts for our construction services through competitive bidding. In 2016, 2017, 2018 and the four months ended April 30, 2019, we submitted 246, 233, 334 and 91 public tender bids, respectively, and our success rates for such bids were 74.8%, 60.9%, 60.2% and 48.0%, respectively. The revenue we generated from contracts won through public tender amounted to RMB490.1 million, RMB319.3 million, RMB328.1 million and RMB82.0 million during the Track Record Period.

Quality Control and Management

Stringent quality control is critical to our reputation and success. Therefore we adopt comprehensive quality control measures to ensure the high quality of our construction contracting services. Our technical quality department is responsible for the adoption of quality control measures and periodic inspections at our operations. We maintain ISO9001:2015 certificates (quality management standards published by the International Organization for Standardization) for our construction contracting business. Such certificates are valid for three years. We first obtained the certificate for our construction contracting business on December 15, 2011, which was most recently renewed on December 14, 2018. The following is a summary of the key quality control measures we implement:

- *Inspection of raw materials.* We inspect raw materials in accordance with our quality standards and customer specifications. We are typically required to provide a product certificate and obtain customer approval before using such raw materials in our construction projects;

- *Training.* We provide training to our project management teams and our subcontracted workers at the beginning of each project to ensure their understanding of, and compliance with, our quality standards. In addition, our project management team also holds regular meetings with our subcontracted workers to discuss quality control measures and precautions;

- *Standardized construction.* We implement standardized construction methods and technologies in all of our construction projects. For large-scale and complex construction projects, we may set up construction process demonstration areas on project sites, where key standardized construction methods and processes are exhibited or detailed to ensure our compliance with such methods and processes;

- *Onsite inspections and rectification.* We conduct periodic inspections and spot checks on our construction projects, and require our personnel to implement immediate rectification measures if any quality control issues are identified. Upon rectification, we conduct another inspection with respect to the quality control issues to ensure that such issues have been resolved. As required by our customers, independent surveyors will conduct periodic inspections and spot inspections of our construction projects, and document the inspection results;

- *Quality control review.* After the completion of each project, we conduct a comprehensive review and analysis of any quality control issues. In addition, we survey our customers for comments regarding satisfaction on an annual basis and after completion of each project to improve the quality of our services and products; and

- *Subcontractors.* We require our construction subcontractors to fully abide by our quality control measures when performing work at our construction projects. See "— Construction Contracting Business — Subcontracting."

During the Track Record Period, we did not experience any material quality issues or receive any material complaints about the quality of our construction projects or products.

LICENSES, PERMITS AND QUALIFICATION CERTIFICATES

Qualifications are critical to carrying out our property development and construction contracting business. During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisors that, save as disclosed in "— Legal Proceedings and Compliance — Non-compliance Incidents," we had obtained all the material requisite licenses, qualifications and permits from the relevant regulatory authorities with respect to our operations in China, and all of our material licenses, qualifications and permits were valid and subsisting as of the Latest Practicable Date.

As of April 30, 2019, our property development and construction contracting qualifications mainly included one premium grade qualification, two grade A qualifications, five first grade qualifications, six second grade qualifications, one third grade qualification and four interim qualifications. These qualifications cover four out of the 12 types of general contracting qualifications, and seven out of the 36 types of specialized contracting qualifications in construction contracting industry. These qualifications enable us to undertake a variety of projects. The following table sets forth details of our material operating licenses, permits and qualification certificates held by us as of the Latest Practicable Date:

Relevant business	Name of operating licenses, permits or qualification certificates	Holder	Class/grade	Issuing authority	Effective period
In respect of our property development business	Qualification Certificate for Real Estate Development Enterprise (房地產開發企業資質)	Tianbao Property Development (天保房地產開發)	First (壹級)	MOHURD (住房和城鄉建設部)	May 24, 2010– May 24, 2019[1]
	Interim Qualification Certificate for Real Estate Development Enterprise (房地產開發企業暫定資質)	Yuxian Tianbao Property Development (蔚縣天保房地產開發)	—	Zhangjiakou Administrative Approval Bureau (張家口市行政審批局)	August 29, 2020
	Interim Qualification Certificate for Real Estate Development Enterprise (房地產開發企業暫定資質)	Huailai Tianbao Property Development (懷來天保房地產開發)	—	Zhangjiakou Administrative Approval Bureau (張家口市行政審批局)	September 24, 2020
	Interim Qualification Certificate for Real Estate Development Enterprise (房地產開發企業暫定資質)	Zhuozhou City Mingyang Property (涿州市明陽房地產)	—	Baoding Administrative Approval Bureau (保定市行政審批局)	April 1, 2019– April 1, 2020
	Interim Qualification Certificate for Real Estate Development Enterprise (房地產開發企業暫定資質)	Zhangbei Tianbao Hengqi Property Development (張北天保恒旗房地產)	—	Zhangjiakou Administrative Approval Bureau (張家口市行政審批局)	January 16, 2019– January 15, 2020

Note:

(1) As of the Latest Practicable Date, we were in the process of renewing such certificate and have obtained acceptance notification from MOHURD. According to Administrative Licensing Law of the PRC (《中華人民共和國行政許可法》) and the consultation with MOHURD, our PRC Legal Advisors are of the view that the Qualification Certificate for Real Estate Development Enterprise held by Tianbao Property Development would still be regarded as valid before the decision on whether to approve the renewal is made by MOHURD.

Relevant business	Name of operating licenses, permits or qualification certificates	Holder	Class/ grade	Issuing authority	Effective period	Tendering limit
In respect of our construction contracting business	Building construction general contracting (建築工程施工總承包)	Tianbao Construction (天保建設集團)	Premium (特級)	MOHURD (住房和城鄉建設部)	November 17, 2017– February 1, 2021	N/A
	Engineering design (construction projects) (建築工程設計)	Tianbao Construction (天保建設集團)	A (甲級)	MOHURD (住房和城鄉建設部)	November 17, 2017– February 1, 2021	N/A
	Engineering design (civil defense projects) (人防工程設計)	Tianbao Construction (天保建設集團)	A (甲級)	MOHURD (住房和城鄉建設部)	November 17, 2017– February 1, 2021	N/A
	Steel structure construction specialized contracting (鋼結構工程專業承包)	Tianbao Construction (天保建設集團)	First (壹級)	MOHURD (住房和城鄉建設部)	December 4, 2009– February 1, 2021	N/A
	Historical architecture project specialized contracting (古建築工程專業承包)	Tianbao Construction (天保建設集團)	First (壹級)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)	November 21, 2005– January 14, 2021	N/A
	Foundation construction specialized contracting (地基基礎工程專業承包)	Tianbao Construction (天保建設集團)	First (壹級)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)	April 24, 2014– January 14, 2021	N/A
	Renovation and decoration construction specialized contracting (建築裝修裝飾工程專業承包)	Tianbao Construction (天保建設集團)	First (壹級)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)	July 6, 2009– January 14, 2021	N/A
	Municipal and public construction general contracting (市政公用工程施工總承包)	Tianbao Construction (天保建設集團)	Second (貳級)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)	June 21, 2010– January 14, 2021	N/A
	Lifting equipment installation construction specialized contracting (起重設備安裝工程專業承包)	Tianbao Construction (天保建設集團)	Second (貳級)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)	January 28, 2003– January 14, 2021	N/A
	Curtain wall construction specialized contracting (建築幕牆工程專業承包)	Tianbao Construction (天保建設集團)	Second (貳級)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)	June 12, 2007– January 14, 2021	N/A

Relevant business	Name of operating licenses, permits or qualification certificates	Holder	Class/ grade	Issuing authority	Effective period	Tendering limit
	Waterproofing, anti-corrosion and heat preservation construction specialized contracting (防水防腐保溫工程專業承包)	Tianbao Construction (天保建設集團)	Second (貳級)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)	November 11, 2016–January 14, 2021	Less than RMB3 million for waterproofing projects and less than RMB6 million for anti-corrosion and heat preservation projects
	Electrical and mechanical engineering construction general contracting (機電工程施工總承包)	Tianbao Construction (天保建設集團)	Second (貳級)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)	August 22, 2011–January 14, 2021	Less than RMB30 million
	Eligibility for undertaking cultural relics preservation projects (文物保護工程施工資質)	Tianbao Construction (天保建設集團)	Second (貳級)	Hebei Cultural Relics Bureau (河北省文物局)	May 21, 2009–May 20, 2020	N/A
	Highway construction general contracting (公路工程施工總承包)	Tianbao Construction (天保建設集團)	Third (叁級)	Baoding Administrative Approval Bureau (保定市行政審批局)	January 14, 2014–December 7, 2020	N/A
	Work safety permit (安全生產許可證)	Tianbao Construction (天保建設集團)	—	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)	April 8, 2005–February 13, 2020	N/A

According to the interviews with the Hebei Department of Housing and Urban-rural Development and Hebei Department of Commerce separately on November 9, 2018 and November 16, 2018, both the authorities have confirmed that, after the Reorganization, Tianbao Construction Group would not be identified as foreign-invested construction enterprise given that there is no foreign investor holding its equity directly, hence it would be able to continue the construction business and the PRC laws and regulations related to foreign-invested construction enterprise is not applicable to Tianbao Construction Group. Our PRC Legal Advisors have advised us that Hebei Department of Housing and Urban-rural Development and Hebei Department of Commerce are the competent authorities to give the above confirmation. Based on the confirmation as aforesaid and the understanding of the relevant PRC laws and regulations, our PRC Legal Advisors have also advised us that, to the best of their knowledge, there should be no material legal impediment for us to renew the relevant licenses, permits or certificates as long as we comply with the relevant legal requirements and we take all necessary steps and submit the relevant applications in accordance with the requirements and schedules prescribed by the applicable PRC laws and regulations.

AWARDS AND RECOGNITIONS

We received a number of awards and honors from various organizations in China in recognition of our property development projects and construction contracting projects, and, among other things, our brand and overall reputation in the industries in China. The table below sets forth certain awards and honors we received:

Awards of Group

Year	Recipient	Honor/Award	Awarding body
2016	Tianbao Construction Group (天保建設集團)	National Advanced Construction Enterprise (全國建築業先進企業)	China Construction Industry Association (中國建築業協會)
2016	Tianbao Construction Group (天保建設集團)	National Excellent Project Quality Management Enterprise (全國工程建設質量管理優秀企業)	China Construction Industry Association (中國建築業協會)
2017	Tianbao Construction Group (天保建設集團)	National Advanced Cultural Construction Enterprise (全國建築業文化建設示範企業)	Branch of Architectural History and Enterprise Culture of China Construction Industry Association (中國建築業協會建築史志與企業文化分會)
2017	Tianbao Construction Group (天保建設集團)	China's Top 200 Growing Construction Enterprises in 2016 (2016年度中國建築業成長性200強企業)	China Construction Industry Association (中國建築業協會)
2018	Tianbao Construction Group (天保建設集團)	2017 Advanced Construction Enterprise in Hebei Province (2017年度河北省建築業先進企業)	Hebei Province Construction Industry Association (河北省建築業協會)
2018	Tianbao Construction Group (天保建設集團)	2017 National Outstanding Construction Enterprise (2017年度全國優秀施工企業)	China Association of Construction Enterprise Management (中國施工企業管理協會)
2018	Tianbao Construction Group (天保建設集團)	Quality Award of Zhuozhou Government (涿州市政府質量獎)	Zhuozhou Municipal People's Government (涿州市人民政府)
2019	Tianbao Construction Group (天保建設集團)	2018 Honoring Contract and Keeping Promise Enterprise (2018年度守合同重信用企業)	Hebei Province Enterprise Credit Acceleration Association (河北省企業信用促進會) Hebei Province Enterprise Credit Institute (河北省企業信用研究院)
2019	Tianbao Construction Group (天保建設集團)	2018 National AAA-level Credit Construction Enterprise (2018年度全國建築業AAA級信用企業)	China Construction Industry Association (中國建築業協會)
2019	Tianbao Property Development (天保房地產開發)	2018 Leading Brand of Hebei Province Property Development Industry (2018年度河北省房地產行業品牌企業)	Hebei Province Housing and Property Development Industry Association (河北省住宅與房地產業協會)

Awards of Projects

Year	Project	Recipient	Honor/Award	Awarding body
2015	Tianbao New City I (天保新城一期)	Tianbao Construction Group (天保建設集團)	National Excellent Construction Projects of Users' Satisfaction (全國用戶滿意建築工程)	China Association for Quality (中國質量協會) National Customer Experience Committee (全國用戶委員會)
2016	Zhangbei Lansheng Tower (張北攬勝樓) Simian Paifang (四面牌坊)	Tianbao Construction Group (天保建設集團)	2016–2017 National High-Quality Project Award (2016–2017年度國家優質工程獎)	China Association of Construction Enterprise Management (中國施工企業管理協會)
2017	Tianhe Penghua Residence (田合鵬華住宅小區)	Tianbao Property Development (天保房地產開發)	Star-level Residence for Landscape Style of Hebei Province (河北省星級園林居住小區)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)
2017	Baoxin International Building (保鑫國際大廈)	Tianbao Construction Group (天保建設集團)	Lu Ban Award (魯班獎)	China Construction Industry Association (中國建築業協會)
2017	Zhangbei Nanshan Temple (張北縣南山寺)	Tianbao Construction Group (天保建設集團)	National High-Quality Project Award (國家優質工程獎)	China Association of Construction Enterprise Management (中國施工企業管理協會)
2018	Baoxin International Building (保鑫國際大廈)	Tianbao Property Development (天保房地產開發)	Star-level Demonstration Enterprise for Landscape Style of Hebei Province (河北省星級園林示範單位)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)
2018	Hongsheng Wangjing Residence (鴻盛旺京小區)	Tianbao Construction Group (天保建設集團)	Hebei Province Green Construction Demonstration Project (河北省綠色示範工程)	Hebei Department of Housing and Urban-Rural Development (河北省住房和城鄉建設廳)

CUSTOMERS AND SUPPLIERS

Customers of our property development business primarily comprise individual purchasers of our residential properties, and customers of our construction contracting business primarily comprise property developers and government entities. In 2016, 2017, 2018 and the four months ended April 30, 2019, revenue attributable to our five largest customers amounted to RMB238.4 million, RMB316.8 million, RMB530.1 million and RMB139.8 million, respectively, representing 29.8%, 26.4%, 33.1% and 25.8% of our total revenue in the same periods, respectively. In the same period, purchases from our five largest suppliers primarily raw material providers and labor force companies amounted to RMB159.6 million, RMB280.2 million, RMB297.5 million and RMB101.8 million, respectively, representing 20.9%, 23.7%, 19.1% and 24.5% of our total purchases in the same periods, respectively. See "— Our Business Operations — Property Development Business — Property Development and Sales Process — Sales and Marketing," "— Our Business Operations — Property Development Business — Property Development and Sales Process — Construction and Quality Control," "— Our Business Operations — Construction Contracting Business — Sales and Marketing" and "— Our Business Operations — Construction Contracting Business — Raw Materials, Equipment and Machinery."

The following table shows the details of our five largest customers during the Track Record Period:

Customer	Type of products/ services purchased	Principal business	% of our total revenue	Years of relationship as of the Latest Practicable Date
2016				
Customer A	Building construction	Property development, including provision of decoration engineering, decorative materials, coatings, building materials	7.9%	13
Customer B	Infrastructure construction and building construction	Provision of municipal infrastructure construction and developing properties	6.6%	10
Customer C	Building construction	Property development and rental	6.1%	8
Customer D	Building construction	Provision of water-based paint, building material	4.7%	5
Customer E	Building construction	Property development and rental	4.5%	4
2017				
Customer F	Building construction and industrial and commercial construction	Property development, investment properties, and provision of golf courses and ancillary services	8.4%	2
Customer B	Infrastructure construction	Provision of municipal infrastructure construction and developing properties	6.2%	10
Customer G	Building construction	N/A (Customer G is not a for-profit business entity)	4.1%	3
Customer H	Infrastructure construction	Power supply, operation and maintenance of power equipment, technology development and construction contracting	4.1%	2
Customer I	Building construction	Property development	3.6%	3
2018				
Customer F	Building construction and industrial and commercial construction	Property development, investment properties and provision of golf courses and ancillary services	12.7%	2
Customer I	Building construction	Property development	6.4%	3

Customer	Type of products/ services purchased	Principal business	% of our total revenue	Years of relationship as of the Latest Practicable Date
Customer J	Building construction	Property development	5.4%	5
Customer K	Building construction	Property development	4.8%	3
Customer L	Building construction	Property development	3.8%	14
Four months ended April 30, 2019				
Customer F	Building construction and industrial and commercial construction	Property development and rental	8.4%	2
Customer M	Building construction	Property development and rental	5.5%	1
Customer N	Building construction	Property development	4.5%	4
Customer O	Building construction	Property development	4.0%	1
Customer P	Building construction	Property development	3.4%	2

The following table shows the details of our five largest suppliers during the Track Record Period:

Supplier	Type of products/ services provided	Principal business	% of our total purchases	Years of relationship as of the Latest Practicable Date
2016				
Supplier A	Raw material	Wholesale of construction material	8.0%	15
Supplier B	Raw material	Provision of construction material including steel, metal and packaging material	5.1%	11
Supplier C	Labour subcontract	Provision of labour contracting for construction work	3.4%	4
Supplier D	Labour subcontract	Provision of labour contracting for construction work	2.2%	5
Supplier E	Raw material	Provision of various concrete material and slag for construction work	2.2%	4
2017				
Supplier B	Raw material	Provision of construction material including steel, metal and packaging material	7.2%	11
Supplier C	Labour subcontract	Provision of labour contracting for construction work	5.6%	4

Supplier	Type of products/ services provided	Principal business	% of our total purchases	Years of relationship as of the Latest Practicable Date
Supplier A	Raw material	Wholesale of construction material	5.4%	15
Supplier D	Labour subcontract	Provision of labour contracting for construction work	2.9%	5
Supplier F	Raw material	Provision of metal materials, metal products, metals and metal mines, building materials	2.5%	4
2018				
Supplier B	Raw material	Provision of construction material including steel, metal and packaging material	6.2%	11
Supplier D	Labour subcontract	Provision of labour contracting for construction work	5.6%	5
Supplier C	Labour subcontract	Provision of labour contracting for construction work	3.4%	4
Supplier A	Raw material	Wholesale of construction material	2.3%	15
Supplier G	Raw material	Wholesale of construction steel material	1.6%	2
Four months ended April 30, 2019				
Supplier C	Labour subcontract	Provision of labour contracting for construction work	6.3%	4
Supplier H	Labour subcontract	Provision of labour contracting for construction work	5.5%	1
Supplier B	Raw material	Provision of construction material including steel, metal and packaging material	4.7%	11
Supplier I	Labour subcontract	Provision of labour contracting for construction work	4.3%	2
Supplier J	Labour subcontract	Provision of labour contracting for construction work	3.7%	3

None of our Directors or their respective associates or, to the knowledge of our Directors, any shareholder holding more than 5% of our issued share capital had any interest in any of our five largest customers or suppliers during the Track Record Period.

COMPETITION

Property Development Business

The property development industry in China is highly fragmented and competitive. We compete primarily with regional property developers that possess excellent brand recognition and reputation. Our primary competitors mainly include regional property developers. Despite the high level of competition, we believe that we have demonstrated remarkable resilience to market changes and competition with our substantial experience and reputation. While further concentrating on the existing familiar markets, we seek to expand our scale of operations by increasing land reserves in cities we consider promising. We foresee more intense competition among property developers and believe that only with quality products and the appropriate pricing strategies can survive and thrive.

Construction Contracting Business

The construction contracting industry in China is fragmented. With limited exceptions, most of the construction companies in China, including us, focus their business regionally. Our primary competitors primarily include regional construction companies, such as Hebei Construction Group Co., Ltd. and Hebei Sijian Construction Engineering Co., Ltd. We believe our competitive advantages allow us to compete effectively. We have obtained a wide range of construction industry qualifications, allowing us to provide various construction services to satisfy our customers' needs. Our high-quality and safety-first construction projects have allowed us to augment our reputation and brand recognition. Moreover, our focus on technological progress and our experienced project management team are also our competitive advantages we possess. While competition in our industry is intense, we believe our competitive advantages will allow us to continue to differentiate ourselves from other construction companies in the markets we target.

OCCUPATIONAL HEALTH AND SAFETY

Our Safety Management System

We have in place stringent internal safety policies to ensure our safe operations and ensure our compliance with relevant PRC laws and regulations. Our production safety department is responsible for overseeing our compliance with relevant PRC laws and regulations, conducting regular reviews and inspections of our safety performance, reviewing the circumstances of any material accidents, and ensuring that we maintain the necessary licenses, approvals and permits to operate. We maintain GB/T28001–2011 certificates (a recommended standard in China for an occupational health and safety management system) for our construction contracting business. Such certificates are valid for three years. We first obtained the certificate for our construction contracting business on December 15, 2011 and renewed such certificate on December 14, 2018. We also organize accident prevention and management training sessions for our employees on a regular basis and for our new employees on an as-needed basis.

We implement an occupational health and safety management system. Our production safety department is responsible for formulating health and safety standards. Our project management teams ensure that our subcontracted workers are adequately trained and have received the requisite licenses and certificates to perform special operations. Our project management teams also address safety issues before commencing each work day, and conduct weekly safety inspections of our operations and those of our subcontractors.

Our Accident Reporting System

Our occupational health and safety management system includes a reporting and record system for unsafe conditions at our construction sites. All accidents must be immediately reported to the responsible project management team, who reports the accident to our branch office and production safety department. Personnel from the responsible project management team are required to arrive on site immediately to oversee the handling of the accident. Any accident that resulted in any fatalities or major injuries will be promptly reported to the production safety department. We will report the accident to the relevant government authority as required by PRC laws and regulations and cooperate with local government authorities to investigate such accident.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, neither did we nor our sub-contractors have any material workplace accidents and fatalities with respect to our construction contracting projects and property development projects, and we had not been subject to any fines, public criticism or warnings in relation to any incidents relating the safety of workers.

ENVIRONMENTAL PROTECTION

We have established and implemented an environmental compliance system to specify various environmental protection procedures and measures and ensure our compliance with international standards and the relevant PRC laws and regulations. We have adopted corresponding environmental protection measures to ensure compliance with relevant laws and regulations, including noise control and air pollution control, as well as solid waste and waste water treatment.

During the Track Record Period, we maintained ISO14001:2015 (environmental management standards published by the International Organization for Standardization) certifications for our construction contracting business. See "Regulatory Overview — Environmental Protection." In 2016, 2017, 2018 and the four months ended April 30, 2019, we incurred costs of approximately RMB0.1 million, RMB0.8 million, RMB0.7 million and RMB0.4 million, respectively, with respect to compliance with applicable environmental protection laws and regulations. Assuming no material changes in applicable environmental laws and regulations, we expect that we will continue to incur environmental compliance costs at a similar level going forward. Our PRC Legal Advisors have advised us that: (i) we did not violate any national or local environmental laws and regulations during the Track Record Period that would materially and adversely affect our business operations; and (ii) we were not subject to any material environmental claims, lawsuits, penalties or disciplinary actions during the same period.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as policies based on our assessment of our operational needs and industry practice. During the Track Record Period, in accordance with relevant PRC laws and regulations, we maintained insurance, including group accident insurance and personal work-related injury insurance for our personnel onsite our construction projects, and social insurance for our employees, as required by applicable PRC laws and regulations and as we consider appropriate for our business operations. Consistent with customary practice in China, we did not carry any business interruption or litigation insurance policies, which are not mandatory according to the laws and regulations of the PRC. Our Directors have confirmed that our existing insurance coverage is in line with the industry norm and is sufficient for our present operations. In addition, save as disclosed in "— Legal Proceedings and Compliance — Non-compliance Incidents", we duly maintained all material insurance policies in compliance with the relevant PRC laws and regulations during the Track Record Period. See "Risk Factors — Risks Relating to Our Industries and Businesses — Risks Relating to Our Business Operations — Our insurance policies may not be adequate to cover all risks of loss associated with our business operations." During the Track Record Period, we did not experience any material insurance disputes.

RESEARCH AND DEVELOPMENT AND TECHNOLOGY

Research and development of our technology is crucial to our business expansion. Our research and development focuses primarily on technological innovation, engineering application and project management.

We have established an information center, a technology center and a BIM (Building Information Modeling) center. BIM can give an overall effect of the construction project with a model. Such a model can be downloaded onto mobile devices and used at the site by our workers, without the need to bring any physical drawings to site, which can be difficult and time-consuming. More importantly, BIM can help to prevent conflicting designs and can identify any design faults at an early stage which would assist us in the bidding process. BIM can also assist in project management by making more accurate prediction of the materials required in a construction project, thereby reducing the cost of construction, and monitoring the construction progress and costs by generating the quantity of materials needed and assist our internal quantity surveying team in their work.

We are committed to green construction, using processes that are environmentally responsible and resource-efficient. Our Zhuozhou Yanzhao Garden Building 8 Energy Saving Model Project (涿州市燕趙花園8#住宅樓節能示範工程) was awarded the Golden Bridge Award (金橋獎) in 2006 by China Technology Market Association (中國技術市場協會).

Our information technology systems are critical to our operations, including contract management, safety and quality control, documentation management, production management, human resources and accounting and finance. These systems also support our key operating processes, including project management, procurement, aftermarket customer service, sales and marketing, and bidding. We utilize our information technology systems to improve the efficiency and quality of our services and strengthen our risk management. From time to time, we procure new or upgrade existing information systems based on our business needs. During the Track Record Period, we did not suffer any major information technology system failures or related losses. However, we may face information technology risks arising from the improper performance or malfunction of our information technology systems on which our operations significantly rely. See "Risk Factors — Risks Relating to Our Industries and Businesses — Risks Relating to Our Business Operations — We may experience failures in our information technology systems."

INTELLECTUAL PROPERTY

We rely on a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property. As of the Latest Practicable Date, we owned 15 trademarks, 28 patents, two copyrights, one domain name in China. As of the same date, we had seven patent applications and 15 trademarks applications under review in China. See "Risk Factors — Risks Relating to our Industries and Businesses — Risks Relating to Our Business Operations — We may be involved in intellectual property disputes and claims of infringement, which may divert our management's attention and harm our reputation and profitability" and "Appendix V — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual property rights of our Group." We also possess proprietary information in connection with our operations, such as information relating to pricing, raw material procurement and construction methods. Such proprietary information is crucial to our business operations and the successful implementation of our strategies. As of the Latest Practicable Date, we were not aware of any infringement by us of any intellectual property rights owned by third parties, or by any third parties of any intellectual property rights owned by us. Further, during the Track Record Period, we were not involved in any disputes or proceedings concerning any material claims of infringement, either threatened or pending, of any intellectual property rights initiated by or against us that had a material and adverse effect on our business.

EMPLOYEES

As of April 30, 2019, we had 312 employees, the majority of whom are based in Zhuozhou, where we are headquartered. The following table sets forth the number and breakdown of our employees by function:

	Number of employees
Administrative management	73
Project management	185
Research and development and design	26
Finance	28
Total	**312**

We believe that our long-term growth depends on the expertise and experience of our employees. We mainly recruit through the labor market, recruitment fairs and on-campus recruitment. We have established a comprehensive training system for our employees, based on their responsibilities, covering professional knowledge, technical, operational and managerial skills, corporate culture, internal control and other areas. Such programs are designed to foster career development for our employees and thus to invest in the future of our human resources.

We offer our employees salaries and make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for our employees.

We and our subsidiaries contract with labor unions that protect employees' rights, help fulfill our economic objectives, encourage employee participation in management decisions and assist us in mediating disputes with union members. The labor unions have established branches at our operating units. We did not experience any material labor dispute during Track Record Period.

PROPERTIES

Our headquarters are located at 33 Guanyun East Road, Zhuozhou, Hebei Province, PRC.

Land Use Rights

As of the Latest Practicable Date, except for our property development projects, we owned the land use rights in respect of an aggregate site area of 149,433.3 sq.m. As advised by our PRC Legal Advisors, we are entitled to occupy and use those parcels of land within the scope of use specified in the land use right certificates.

Buildings

Owned Buildings

As of the Latest Practicable Date, except for our property development projects, we owned two buildings in China, with an aggregate GFA of 31,498.6 sq.m.. We have obtained the building ownership certificates for all of our buildings.

Leased Buildings

As of the Latest Practicable Date, we leased 13 buildings in China, with an aggregate GFA of 2,971.0 sq.m. Among them, the owners of three of the buildings with an aggregate GFA of 615.4 sq.m. have provided the building ownership certificate or other relevant proofs and 10 of the buildings with an aggregate GFA of 2,355.6 sq.m. have title defects that may adversely affect our ability to continue to lease them in the future. The title defects are mainly due to the failure of the lessors to provide property ownership certificates regarding the legal right to lease such property, or the failure of the lessors to provide a certificate showing the owner's consent to rental of the property. Should disputes arise due to title encumbrances to such properties or to government action, we may encounter difficulty in continuing to lease such properties and may be required to relocate. As of the Latest Practicable Date, we used all of our leased buildings as offices, and do not expect that significant time or costs will be required to identify or relocate our operations to, comparable alternative properties. See "Risk factors — Risks Relating to Our Industries and Businesses — Risks Relating to Our Business Operations — Failure to protect our leasehold interests or comply with relevant regulation regarding our lease may cause interruptions to our business operations." As of the Latest Practicable Date, we were not aware of any challenge made by a third party or government authority on the titles of any of these leased properties that might affect our current occupation.

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

Our Group as defendant

We may from time to time be involved in a number of legal proceedings in the ordinary course of our business. As of the Latest Practicable Date, we were involved in three outstanding lawsuits as defendant with a total claim of approximately RMB14.8 million.

In March 2016, a claim was brought against us in the People's Court of Zhuozhou, Hebei Province by an individual, seeking RMB14.1 million in payment arising from construction work subcontracted from us. The claim arose because the plaintiff alleged that we failed to pay the full amount in time. We entered into a construction contract with a third-party construction company, which in turn sub-contracted certain work to the plaintiff. However, we did not have any contractual relationship with the plaintiff. The Intermediate People's Court of Baoding, Hebei Province remitted the case to the People's Court of Zhuozhou for retrial as of the Latest Practicable Date. Hebei Bodian Law Firm, our PRC litigation counsel advising us on this legal proceeding is of the view that (i) the plaintiff has no ground to bring the legal proceedings against us as there is no direct contractual relationship between the plaintiff and us; and (ii) the third-party construction company which directly contracted with us had not brought any legal proceedings against us or claimed any outstanding amounts with respect to the construction project in question. Therefore, we believe that the plaintiff's claim for damages is without merit and we did not make provision for this lawsuit.

As of the Latest Practicable Date, we were involved in two other outstanding lawsuits in relation to disputes of the lease payment of equipment and machinery where the plaintiffs alleged that we failed to make the machinery lease payment with a claim of RMB374,651 and RMB349,679, respectively. We did not make provision for such two lawsuits because we considered that the total amount of claims is immaterial as to our business operation taken as a whole.

Our Group as plaintiff

In January 2019, we brought a claim against Zhuozhou Yihezhuang County People's Government (涿州市義和莊鎮人民政府) ("**Yihezhuang Government**") in the Intermediate People's Court of Baoding, Hebei Province, seeking RMB80.0 million in payment together with related expenses arising from construction work contracted from Yihezhuang Government. The claim arose because of Yihezhuang Government's delay in completing the land expropriation procedures which led to significant delay in the Yihezhuang Project (as defined below) and payment for the construction work we performed. As of the Latest Practicable Date, the case was in the stage of first trial. The relevant court organized hearings and the parties agreed to engage a third party quantity surveyor (工程造價評估機構) to prepare a quantity surveyor report. The relevant court was then expected to issue judgment based on the quantity surveyor report. See "Incident relating to our Former Employee — Financial Impact on our Group" below.

Having considered (i) the legal advice from Hebei Bodian Law Firm, our PRC litigation counsel; and (ii) the facts and the merits of the plaintiff's claims; our Directors confirmed that, as of the Latest Practicable Date, none of our Directors was involved in the claims and litigation above, and we were not subject to any actual or threatened material claims, litigations, arbitration or administrative proceedings which have, or could be expected to have, a material adverse effect on our business, results of operations, financial condition and reputation.

Incident relating to our Former Employee

Background

Tianbao Construction Group won a tender for each of phase I to IV of a residential and ancillary facility construction project in Yihezhuang, Zhuozhou (the "**Yihezhuang Project**") from Yihezhuang Government in 2010 and 2011. The Zhuozhou Construction And Decoration Branch Company of Tianbao Construction Group (天保建設集團有限公司涿州建築裝飾分公司) (the "**Zhuozhou Branch**") was established in 2011 to manage and conduct the Yihezhuang Project. Mr. Zhong Tieqiang ("**Mr. Zhong**") was the then officer-in-charge of the Zhuozhou Branch. It was, however, discovered in 2013 that Mr. Zhong had abused his authority and misconducted the Yihezhuang Project, including but not limited to, by (i) directing the construction fees paid by the Yihezhuang Government in relation to the Yihezhuang Project to his personal bank accounts and/or those of his spouse or the company controlled by him as well as (ii) sub-contracting certain construction work under the Yihezhuang Project to a sub-contractor without the authorization of Tianbao Construction Group resulting in breach of the relevant construction contract with Yihezhuang Government. The directors and senior management of Tianbao Construction Group then held in office were not aware of, and did not in any way endorse, such misconduct of Mr. Zhong.

Zhuozhou Branch, as instructed by Mr. Zhong, sub-contracted certain work of the Yihezhuang Project to a construction company, which in turn contracted with a sub-contractor ("**Sub-contractor A**") to undertake such work. Sub-contractor A further sub-contracted part of the work to another sub-contractor ("**Sub-contractor B**"). In 2013, Sub-contractor B sued (i) Sub-contractor A; (ii) Tianbao Construction Group (as the main contractor); and (iii) Yihezhuang Government (as the project owner) for a construction compensation claim in relation to work performed for Yihezhuang Project. Based on the claim filed with the relevant court, Sub-contractor B claimed that Sub-contractor A failed to pay RMB447,360 as compensation for the relevant work done.

Hebei Bodian Law Firm, our PRC litigation counsel advising on the incident relating to the Yihezhuang Project, confirmed that the total claims of Sub-contractor B amounted to RMB447,360 together with the relevant interest and litigation expenses based on the relevant judgment issued by the relevant court. Following enquiries by our Group with Mr. Zhong about such lawsuit in 2013, the then directors and senior management of Tianbao Construction Group became aware that such lawsuit was caused by or related to Mr. Zhong's unauthorized sub-contracting and other misconduct. In 2014, the relevant court ruled, among others, that (i) Tianbao Construction Group unlawfully sub-contracted construction work to sub-contractor and had collateral liability for the losses suffered by certain sub-contractor; and (ii) Tianbao Construction Group, as joint defendant, was ordered to compensate Sub-contractor B with an amount of RMB228,065 as well as the relevant interest and litigation expenses as a result of the collateral liability.

Hebei Bodian Law Firm, our PRC litigation counsel, advised us that the relevant court ruled that Tianbao Construction Group unlawfully sub-contracted certain work and shall be liable because (i) Zhuozhou Branch breached the relevant clause of the construction contracts with respect to Yihezhuang Project which provided that the main contractor was not allowed to sub-contract work to a third party; and (ii) Zhuozhou Branch was a branch company of Tianbao Construction Group. Tianbao Construction Group requested Mr. Zhong to cooperate in handling such lawsuit and he was dismissed by our Group in October 2015 due to his misconduct after the relevant lawsuit was concluded. Based on the enforcement confirmation (執行裁定書) issued by the relevant court in 2015, all of the orders made by the court had been enforced. The relevant permits and licenses for our Group's construction contracting business had not been revoked as a result of such lawsuit or former employee's misconduct.

Internal Control Deficiencies

Tianbao Construction Group witnessed substantial business growth and expansion from 2010 to 2013 while it did not promulgate a set of related branch management measures or procedures and therefore, Tianbao Construction Group at the time lacked a robust internal control system over the operation of its branch companies which led to Mr. Zhong's abuse of authority and misconduct. The then directors and senior management of Tianbao Construction Group had not been aware of any misconduct of Mr. Zhong before the occurrence of the incident. Mr. Li, the then chairman of the board of Tianbao Construction Group, and Mr. Li Xuewu, the then director and vice general manager of Tianbao Construction Group were involved in the preparation of the tender for the Yihezhuang Project and the execution of the contracts with Yihezhuang Government in relation to the Yihezhuang Project. In particular, Mr. Li Xuewu was responsible for ascertaining the construction project information, preparation of tender documentation, coordination of submission of the tender among various departments. Mr. Li signed the relevant contracts of the Yihezhuang Project on behalf of Tianbao Construction Group. Mr. Li was not aware of Mr. Zhong's misconduct before the sub-contractor initiated lawsuit in 2013 because (i) the lack of effectiveness and deficiencies of the internal control system of Tianbao Construction Group then in place prevented Mr. Li to identify the irregularities in the financial statements of Tianbao Construction Group; and (ii) Mr. Li Xuewu, as the then officer designated to oversee the Yihezhuang Project, did not fully discharge his duties properly to supervise the Yihezhuang Project. In particular, the relevant internal control deficiencies in respect to financial statements preparation, financial analysis and reporting procedures at group and branch company level, which led to the failure to identify Mr. Zhong's misconduct are as follows:

- lack of financial statements preparation and reporting procedures. Tianbao Construction Group did not require Zhuozhou Branch to prepare its financial statements and report the same to the Group level. Tianbao Construction Group did not regularly prepare financial statements or report the same to the senior management at group level; and

- lack of regular financial performance analysis and reporting procedures. Tianbao Construction Group did not require Zhuozhou Branch to conduct financial analysis and report the same to the Group level. Tianbao Construction Group did not conduct financial performance analysis with reference to the consolidated financial statements at group level.

Furthermore, as Mr. Zhong was the then person-in-charge of the Zhuozhou Branch with the authority to approve contract execution and financial matters at branch level, and due to the leniency of project management, sub-contracting, invoicing and payment, and authorization control delegated to Mr.

Zhong as the then officer-in-charge of Zhuozhou Branch to manage and conduct the Yihezhuang Project, the then directors and senior management of Tianbao Construction Group did not come to be aware of the misconduct of Mr. Zhong until the lawsuit was initiated by the Sub-contractor B in 2013. In particular, the deficiencies contributed to the misconduct of Mr. Zhong include the following:

- the lack of supervision of the daily management and financial matters of branch company which undertakes the actual management and execution of a certain construction project;
- the person-in-charge of the branch company had the authority to direct the financial matters of branch company, including directing funds from construction customers to certain bank accounts without obtaining prior authorization from the financial department of our Group; and
- the person-in-charge of the branch company had the authority to enter into sub-contracting arrangements with sub-contractors without obtaining prior authorization from the business or financial department of our Group.

In response to such internal control deficiencies, we have established and implemented enhanced internal control policies relating to its project management, sub-contracting, invoicing and payment, and authorization controls after the above matters were discovered which set forth in details below so as to mitigate the risk of recurrence of similar incidents in the future.

Financial Impact on our Group

The Sub-contractor B's Lawsuit

The lawsuit initiated by Sub-contractor B in 2013 was concluded in 2015. To the best knowledge of our Group, Mr. Zhong paid all damages and expenses to Sub-contractor B as ruled by the relevant court and therefore we did not suffer any financial losses arising from the relevant lawsuit initiated. Hebei Bodian Law Firm, our PRC litigation counsel advising on the incident relating to the Yihezhuang Project, advised us that Tianbao Construction Group had discharged all its liabilities as ruled in the relevant judgment on the basis that the relevant court issued enforcement confirmation (執行裁定書) confirming that the orders made by the relevant court had been enforced in accordance with the judgement.

The Incident of Mr. Zhong's Misconduct

The total contract sum of Yihezhuang Project amounted to RMB348.0 million. According to the estimated budget of Yihezhuang Project prepared by Tianbao Construction Group in 2010, in the absence of the incident relating to Mr. Zhong's misconduct, we estimate that we could recognize profit of RMB10.5 million if the Yihezhuang Project was undertaken by us during the years from 2011 to 2013. We did not recognize such profit because (i) the entities which managed and incurred costs and expenses for the Yihezhuang Project from 2011 to 2013 were controlled by Mr. Zhong and therefore Tianbao Construction Group did not incur any cost for the Yihezhuang Project from 2011 to 2013; and (ii) the revenue arising from the Yihezhuang Project from 2011 to 2013 was initially recorded by Zhuozhou Branch and consolidated with the results of Tianbao Construction Group during that period. Upon being made aware of Mr. Zhong's misconduct, Tianbao Construction Group reversed such revenue as the amount was no longer recoverable because the Yihezhuang Government had already paid such amount to Mr. Zhong's personal bank accounts and/or those related to him. To the best knowledge of our Directors, Yihezhuang Government paid RMB349.0 million to Mr. Zhong for the work done of the Yihezhuang Project. Mr. Zhong did not repay such amount to Tianbao Construction Group or settle relevant cost with Tianbao Construction Group incurred for the Yihezhuang Project.

After occurrence of the Sub-contractor B's lawsuit in 2013, Mr. Zhong was not able to continue to manage the Yihezhuang Project. Tianbao Construction Group agreed with Yihezhuang Government to undertake the final stage of Yihezhuang Project in 2014 and 2015 in order to complete the project. Tianbao Construction Group completed the final stage of the Yihezhuang Project and incurred costs and expenses of RMB56.3 million in 2014 and 2015. We recognized such costs and expenses in our statement of profit or loss in corresponding years. Yihezhuang Government paid construction fees of RMB10.0 million to Tianbao Construction Group in 2014 and 2015. As mediated and coordinated by Yihezhuang Government, in 2015, Mr. Zhong, Yihezhuang Government and Tianbao Construction Group entered into a tri-party agreement which provided that Mr. Zhong agreed to assign certain properties controlled or owned by him to Tianbao Construction Group as compensation of the costs and expenses of the final stage of the Yihezhuang Project that was completed by Tianbao Construction Group. Thereafter, Tianbao Construction Group entered into agreements with Mr. Zhong and the entity controlled by him with respect to the details of the properties assignment ("Assignment Agreements"). However, Mr. Zhong and the entity controlled by him breached the Assignment Agreements and failed to assign Tianbao Construction Group the agreed properties. Tianbao Construction Group recorded a net loss of RMB46.3 million in connection with the Yihezhuang Project, which was the result of the following factors: (i) Mr. Zhong's misconduct where he directed the construction fees paid by the Yihezhuang Government in relation to the Yihezhuang Project to his personal bank accounts and/or those of his spouse or the entity controlled by him and the fact that Mr. Zhong did not fulfill his obligations to compensate Tianbao Construction Group pursuant to the Assignment Agreements; and (ii) the Yihezhuang Government breached its duty of, among others, conducting a final audit of the Yihezhuang Project (項目決算審計) in a timely manner and paying the outstanding construction fees under its construction contracting agreements with Tianbao Construction Group, for which we have brought a claim against the Yihezhuang Government. Tianbao Construction Group did not sue Mr. Zhong in relation to his misconduct in the incident after it became aware of his misconduct since Mr. Zhong initially agreed to indemnify Tianbao Construction Group by entering into the Assignment Agreements. Tianbao Construction Group believed that negotiation with the stakeholders was an efficient approach to solve the dispute and to minimize its financial losses. In 2016, Tianbao Construction Group sued Mr. Zhong and the entity controlled by him with the claim of requiring specific performance of the above agreements. The court of first instance dismissed the case in September 2018 and the intermediate appellate court remanded the case to the court of first instance for retrial. As of the Latest Practicable Date, the case did not proceed due to the unavailability of the defendant to attend the court hearing. Our Directors confirmed that the net loss of RMB46.3 million in connection with the Yihezhuang Project was recorded before 2016 and the incident of the misconduct of such former employee had no adverse financial impact on our results of operations and financial conditions during the Track Record Period.

As our lawsuit against Mr. Zhong did not proceed, Tianbao Construction Group was of the view that it shall claim the outstanding construction fees from Yihezhuang Government who breached its duty under its construction contracting agreements with Tianbao Construction Group. Tianbao Construction Group is entitled to an additional amount of RMB80.0 million considering the costs and expenses incurred for the final stage of the Yihezhuang Project as well as the additional costs due to the delayed expropriation procedures of Yihezhuang Government. Due to the dispute on such settlement, our Group brought a claim against Yihezhuang Government in January 2019, seeking RMB80.0 million in payment together with related expenses for the final stage of the Yihezhuang Project. As of the Latest Practicable Date, the case was in the stage of first trial. The relevant court organized hearings and the parties agreed to engage a third party quantity surveyor (工程造價評估機構) to prepare a quantity surveyor report. The relevant court was then expected to issue judgment on the construction fees to be settled based on the quantity surveyor report. See ''Business — Legal Proceedings and Compliance — Legal Proceedings''. As advised by Hebei Bodian Law Firm, our PRC litigation counsel, (i) Yihezhuang Government breached its duty of, among others, conducting a final audit of the Yihezhuang Project (項目決算審計) in a timely manner, and paying the outstanding construction fees under its construction contracting agreements with Tianbao Construction Group, (ii) the maximum financial exposure of our lawsuit against Yihezhuang Government is the amount of our claim being RMB80.0 million together with related expenses, and (iii) suing Mr. Zhong and then Yihezhuang Government is to maximize the opportunity of obtaining proper remedy for the incurred losses, which is permitted by applicable laws. We did not make any provision for the lawsuit with Yihezhuang Government because we are the plaintiff of such lawsuit.

Enhanced Internal Control Measures

After being aware of the sub-contractor's lawsuit, the then directors and senior management of Tianbao Construction Group held meetings in March 2014 to proactively prepare for the lawsuit. After the conclusion of the sub-contractor's lawsuit, we conducted enhanced employee trainings relating to the construction project supervision and management as well as human resource management in 2015. The then directors and senior management of Tianbao Construction Group attended these employee trainings. In each of December 2016, 2017 and 2018, we also organized employee trainings with respect to the construction project management which were also attended by the then directors and senior management of Tianbao Construction Group. We intend to conduct similar training for employees and management on an annual basis going forward.

During the period from 2014 to 2017, Tianbao Construction Group adopted certain corrective measures in response to the incident relating to Yihezhang Project so as to mitigate the risk of recurrence of similar incidents in the future:

In respect of adoption of written policies and rules:

- Preparation and adoption of sub-contracting management policies and measures and branch company management measures, which specify the requirements with respect to the staff qualification, selection and trainings, project progress monitoring, inspection and acceptance as well as fund settlement.

In respect of specific procedures and controls relating to sub-contracting management:

- sub-contractor qualification review and selection — formalization of the sub-contractor selection and review procedures by providing that the sub-contractor shall be selected preferentially from qualified sub-contractor list;

- sub-contractor staff training — establishment of sub-contractor staff training system including the operations, safety, quality, environmental protection with respect to the construction projects to the sub-contractor staff;

- sub-contracting project progress monitoring — having dedicated officer to prepare the inspection plan and having dedicated staff to implement the inspection on the quality of the construction project and prepare the inspection record; correction measures are required to be taken in response to any issues identified in the quality inspection record; preparation of quality inspection report after the inspection to analyse any issues identified and report to the department head, general manager and chairman of the board; and

- sub-contracting project inspection and acceptance and fund settlement — settlement made with sub-contractor regularly based on the agreed unit price and completed construction volume specified in the relevant contracts; preparation of settlement documentation and reviewed and approved by dedicated officers.

Furthermore, we have taken the following measures to ensure ongoing stringent supervision on our employees, particularly in respect of authorization of power and duties as well as sub-contracting management, so that we could prevent occurrence of similar incidents in the future:

In respect of prevention of collection fees from customers through employee's personal bank account which was implemented in January 2019:

- the payment details in the construction contract only provides the bank account of the Group for receiving customer's fees;

- enhancing the control of fund receipt from customer, the receiving bank account and the invoice issuance such as all customer's funds shall be paid to the designated corporate bank account if through wire transfer; and

- enhancing the accounts reconciliation measures which set out procedures of the reconciliation, follow-up and collection of the trade receivables. The specific measures include submission of monthly trade receivables reports to a general manager and a finance manager as well as preparation of written reconciliation confirmation for reconciliation with the relevant customers; completion of reconciliation within prescribed time limit and confirmation of the receipt of the trade receivables; making the sales accounting staff responsible for the reconciliation follow up, obtaining written reconciliation confirmation as well as monitoring and reporting any irregularities during the aforesaid process.

In respect of authorization of power and duties which was implemented in January 2019:

- reinforcing financial management system at branch level such as specifying that branches are not allowed to open independent bank account and all accounting and financial matters are centralized and handled at Group level;

- reinforcing the authorization of fund payment including establishing stringent authorization procedures based on the amounts of each payment; any approval without prior written authorization are forbidden; and

- enhancing the contract management system specifying that all construction contracts shall be authorized and signed by the Group and the relevant construction projects are overseen by Group; all contracts shall be approved by the general manager and no other person shall have the right to sign the contract on behalf of the Group without due authorization; the legal department shall monitor and regularly examine the contract execution procedures, contract performance, contract filing and other matters implemented by the business departments as well as report the examination results to the senior management requesting the business departments to rectify the relevant deficiencies.

In respect of sub-contracting management which was implemented in January and April 2019:

- improving and streamlining sub-contracting management system to specify that a sub-contractor is forbidden to further sub-contract certain work to other parties; strengthening the on-site inspection and management of the construction site to monitor any multi-level sub-contracting to avoid any issues of construction quality and migrate workers' compensation;

- requesting a sub-contractor to provide roll list of all staff setting out all identity information including name, gender, position, ID number, as well as relevant copies of their qualifications and licenses; implementing real-name registration of all staff of the sub-contractor and entitlement to damages resulting from any losses due to the unauthorized change of on-site staff;

- reinforcing sub-contractor selection management including engaging a sub-contractor only from the qualified sub-contractor list; requesting a sub-contractor to enter into our form sub-contracting contract which provides that the sub-contractor is forbidden to further sub-contract certain work to third parties; and

- enhancing pre-selection review of the sub-contractor candidate with respect to its business scope, financial conditions, recent credentials before admission to our qualified sub-contract list.

We have taken above-mentioned rectification measures to better detect, control and prevent employee non-compliance incidents taking into account various factors, including the review results from an independent internal control advisor engaged by us in November 2018 to review the Group's overall internal control environment and their follow-up review on the enhanced internal control measures in April 2019 and the fact that there was no recurrence of similar non-compliance incidents since the implementation of such measures. Our Directors believe our enhanced internal control measures are adequate and effective to prevent the reccurrence of similar incidents through the measures described above. We believe that such incident did not and will not result in any material and adverse impact on our business, financial condition or results of operations.

In addition to the above enhanced internal control measures, we believe the following additional on-going measures that we have implemented would further contribute to mitigate the risk of recurrence of similar incidents in the future:

- There is a dedicated team of the Group which monitors and tracks the development of the laws and regulations regarding sub-contracting and financial reporting management;

- There are regular employee trainings with respect to the development of the laws and regulations regarding sub-contracting and financial reporting management, which we believe are able to keep employees abreast of the latest development of laws and regulations regarding sub-contracting and financial reporting management; and

- There are regular and periodic checks on the compliance efficacy and effectiveness of all the enhanced internal control measures as detailed above in order to make sure the relevant employees are compliant with the relevant rules and procedures and adopt corrective measures if there is any defects or non-compliance.

To prevent the recurrence of similar incidents, we have also engaged the independent internal control advisor to further conduct a follow-up review on our internal control environment in September 2019, including our internal procedures and training in relation to project management, sub-contracting, invoicing and payment, and authorization controls. Specifically, the internal control advisor reviewed the following:

- the effectiveness of the internal control system with respect to sub-contracting management, fund management, financial statements preparation, authorization controls, internal communication and supervision in relation to the Yihezhuang Project during the period from 2010 to 2013;

- the review of the enhanced internal control measures with respect to sub-contracting management, fund management, financial statements preparation, authorization controls, internal communication and supervision adopted at branch company level during the period from 2014 to 2017 in response to the Yihezhuang Project; and

- the effectiveness of the internal control system design and implementation with respect to sub-contracting management, fund management, financial statements preparation, authorization controls, internal communication and supervision at branch company level during the period from 2018 to 2019.

The independent internal control advisor did not raise any further recommendations from the follow-up review in September 2019. The independent internal control advisor is of the view that (i) the design of internal control has been improved, and (ii) there had not been irregularities identified in the implementation of the improved internal control system based on the follow-up review of business records and process.

View of Joint Sponsors

Having considered (i) the Directors' confirmation that Mr. Zhong was primarily involved in the Yihezhuang Project before he was dismissed and (ii) based upon the due diligence work conducted by the Joint Sponsors which includes (a) enquiries with the Reporting Accountants regarding the relevant accounting standards and audit procedures, (b) discussions with the Company's internal control advisor on the relevant enhanced internal control systems, (c) conducting the background search, litigation search and media search on the Group and all current Directors and senior management of the Company, (d) interviews with the major customers and suppliers of the Group, (e) review of customer construction contracts and subcontracting contracts on a sampling basis, and (f) confirming with the Company's PRC legal advisors regarding the legal compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date, nothing has come to the Joint Sponsors' attention that would cause them to be aware that there was similar incident or similar misconduct by the Group's employees, including, among others, Mr. Zhong, before 2019, in particular, during the Track Record Period save as disclosed in "Business — Incident relating to our Former Employee".

Having considered (i) our Directors' view that the enhanced internal control measures are adequate and effective to prevent the recurrence of similar incidents and (ii) based upon the due diligence work conducted by the Joint Sponsors which includes (a) reviewing the relevant documents in relation to our Group's internal policies and measures on the sub-contracting, branch management, fund management, financial statements preparation and reporting as well as authorization of power and duties, (b) discussions with the management of our Group on the above enhanced internal policies and measures, (c) discussions with our Company's internal control advisor on the relevant enhanced internal control systems and (d) reviewing the report of our Company's internal control advisor, the Joint Sponsors concur with our Directors' view stated above that our Group's enhanced internal control measure are adequate and effective to prevent the recurrence of the similar incidents.

Having considered (i) our Directors' confirmation that (a) the incident was resulted from Mr. Zhong's personal misconduct and was not resulted from the Directors' dishonesty or fraudulence, and none of our Directors was involved in the incident or in any related disputes or allegations of non-compliance with applicable laws and regulations; and (b) Mr. Zhong was dismissed by our Group as a result of his misconduct in the incident; and (ii) based upon the due diligence work conducted by the Joint Sponsors which includes (a) discussions with our Company's internal control advisor on the relevant internal control systems enhanced by our Directors to prevent recurrence of similar incidents; (b) trainings provided and to be provided to our Directors after the Listing in respect of the obligations of directors of a listed issuer in Hong Kong as required under the Listing Rules; (c) results of background search, litigation search and media search conducted on all current Directors; and (d) confirming with our PRC Legal Advisors regarding the legal compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date, nothing has come to the Joint Sponsors' attention that would cause them to doubt that each of our Directors does not have a standard of competence commensurate with his or her position as a director of a listed issuer as required under Rule 3.09 of the Listing Rules.

Non-compliance Incidents

We are advised by our PRC Legal Advisors that, during the Track Record Period and up to the Latest Practicable Date, we had been in compliance with applicable laws and regulations in all material aspects and obtained all material permits and licenses necessary for our operations in accordance with the PRC laws and regulations.

However, we and our subsidiaries have, from time to time, been involved in incidents of regulatory non-compliance and/or been fined by the relevant regulatory authorities. We set out below the details of certain regulatory non-compliance incidents during the Track Record Period and up to the Latest Practicable Date.

Non-compliance incidents	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties and other financial liabilities	Rectification action and/or enhanced internal control measures taken/to be taken
(A) Commencement of construction work without obtaining construction work permits			
In May 2014, we commenced the construction of Haiziwa Hotel without obtaining (i) the construction work commencement permit and (ii) the construction work planning permit. As of the Latest Practicable Date, Haiziwa Hotel was under construction and is expected to be completed in December 2019.	The non-compliance incident was primarily due to the lack of timely internal communication and the influence of the business invitation and investment attraction policies (招商引資政策).	According to the Measures for the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法), where the construction work has commenced without the construction work commencement permit, the license-issuing authority can impose a fine on the property developer at not less than 1% but not exceeding 2% of the contract value and a fine on the construction company of no more than RMB30,000.0. Based on the contract value of Haiziwa Hotel, the maximum penalties in the worst scenario will be approximately RMB0.9 million in total. According to the Urban and Rural Planning Law of the PRC (中華人民共和國城鄉規劃法), where the construction work has commenced without the construction work planning permit or in violation of the provisions of the construction work planning permit, the authority of housing and urban rural development under the people's government at or above county level can impose a fine of not less than 5% but not exceeding 10% of the construction cost. Based on the construction cost of Haiziwa Hotel, the maximum penalties in the worst scenario will be approximately RMB4.6 million in total. In January 2016, Zhangbei Housing and Urban-Rural Development Bureau and Zhangbei Urban and Ural Planning Bureau each issued a confirmation that no administrative penalty would be imposed on Haiziwa Hotel considering local government's policies to attract investments. In February 2019, Zhangbei Housing and Urban-Rural Development, Planning Bureau issued confirmations that there was no substantial impediment for us to obtain the construction work commencement permit and the construction work planning permit. Our PRC Legal Advisors advised that the government authorities who gave the above confirmation are competent authorities for issuing the written confirmation. As of the Latest Practicable Date, we were in the process of applying for (i) the construction work commencement permit and (ii) the construction work planning permit. Our Directors confirmed that, as of the Latest Practicable Date, we had not received any notice relating to imposing administrative penalties with respect to such non-compliance incident from the relevant authorities and the likelihood of the relevant subsidiaries being penalized by the relevant authorities is remote.	We have established enhanced internal control measures to ensure that we will not violate any laws in relation to unauthorized construction in the future. See "— Internal Control and Risk Management — Internal Control System."

Non-compliance incidents	Major causes of non-compliance incidents	Legal consequences, potential maximum penalties and other financial liabilities	Rectification action and/or enhanced internal control measures taken/to be taken
(B) Commencement of pre-sales before obtaining pre-sales permit			
We received deposits from and/or entered into pre-sales agreements with customers with respect to (i) Tianbao Green City, (ii) Tianbao Lingyun City and (iii) Tianbao New City Phase III before we obtained the required pre-sales permits. For Tianbao Green City, Tianbao Lingyun City and Tianbao New City Phase III, no fine had been imposed on us as of the Latest Practicable Date, and the pre-sales permits were granted on April 11, 2017, February 23, 2017, June 29, 2017 and July 19, 2017 respectively, which are more than two years (the recourse period the government authorities can impose a fine on us) before the Latest Practicable Date.	The non-compliance incidents were primarily caused by the lack of legal knowledge of our sales and marketing team and the lack of timely internal communication.	According to the Administrative Rules on Urban Real Estate Development Operations (城市房地產開發經營管理條例), where a property enterprise sells properties without obtaining pre-sales permit, the relevant authority shall order cessation of the illegal act and confiscate the illegal income thereof, and may additionally impose a fine of not more than 1% of the advance payment that has already been received. As of the Latest Practicable Date, the recourse period during which the government authorities can impose administrative penalty on us was passed. In April 2019, Zhangbei Housing and Urban-Rural Planning, Development Bureau and Real estate market supervision and management section of Zhuozhou Housing and Urban-Rural Development Bureau each issued a confirmation that no administrative fines had been and would be imposed on the above-mentioned projects. Our PRC Legal Advisors advised that the government authorities who gave the above confirmation are competent authorities for issuing the written confirmation. We have obtained pre-sales permits of all of the above-mentioned property development projects.	We have established enhanced internal control measures to ensure that we will not violate any laws in relation to pre-sales in the future. See "— Internal Control and Risk Management — Internal Control System."
(C) Failure to make adequate social security insurance and housing provident fund contribution			
During the Track Record Period, we did not make full contribution to the social insurance fund and housing provident fund based on the actual income of our employees in accordance with PRC laws. We estimated that the outstanding social insurance fund and housing provident fund was RMB4.5 million and RMB1.6 million, respectively, during the Track Record Period.	The non-compliance incident was mainly due to inconsistency in implementation or interpretation of PRC laws and regulations by the local authority and insufficient understanding of the relevant PRC laws and regulations among our human resources personnel.	For the outstanding social insurance contribution incurred during and subsequent to the Track Record Period, pursuant to the relevant PRC laws and regulations, the social insurance authority may order us to pay the overdue fine equivalent to 0.05% of the outstanding amount within the specified time limit (calculated daily from the date on which the relevant social insurance contribution became payable). We have obtained the confirmation from the local social insurance authorities and housing provident fund authority that they did not have any records of penalties imposed on us or any disputes with us. Our PRC Legal Advisors advised that (i) the local social insurance authority and housing provident fund authority are the competent authorities issuing the above written confirmation; and (ii) pursuant to the written confirmations, the risk that we will be subject to any administrative penalty for the non-compliance incidents is remote hence the non-compliance incidents will not cause substantial legal impediments to our Listing. We have made provisions for the overdue contribution amounting to RMB0.9 million, RMB2.1 million, RMB2.8 million and RMB0.3 million for 2016, 2017, 2018 and the four months ended April 30, 2019. Our Directors are of the view that, the provisions can cover the potential payment in relation to the non-compliance incidents.	We have established enhanced internal control measures to ensure that we will not violate relevant laws and regulations in the future. See "— Internal Control and Risk Management — Internal Control System." We have rectified this non-compliance and will continue to do so by making social security insurance and housing provident fund contributions based on the actual salary of employees pursuant to the applicable PRC Laws and regulations since January 1, 2019.

Our Directors believe that the foregoing non-compliance incidents have not or will not cause, whether individually or in aggregate, any material and adverse impact on our business, financial position and results of operation.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control System

Our internal control system is designed to provide adequate assurance with respect to effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Matters of non-compliance	Internal control measures	Implementation dates
Commencement of construction works before relevant construction work planning permits and construction work commencement certificate	Internal policies and procedures have been revised to implement internal control measures such that (i) our preliminary planning department will be responsible for applying construction work planning permit and construction work commencement permit, and will also submit the relevant planning to cost control department for approval; (ii) our technical department will instruct our subcontractors to commence construction work only when they have received the construction work commencement permit; and (iii) weekly meetings will be held by our project management department to report to our preliminary planning department and senior management on the progress of application of permits.	January 2019
Commencement of pre-sale before obtaining pre-sale permits	Our internal policies and procedures have been revised such that it is stated clearly that pre-sales can only be carried out with the pre-sales permits, and our engineering planning department will be responsible for applying pre-sales permits and will regularly report to our senior management of the progress.	January 2019

Matters of non-compliance	Internal control measures	Implementation dates
Failure to make adequate social security insurance and housing provident fund contribution	Internal policies and procedures have been established to implement internal control measures such that we will (i) check that all social security insurance and housing provident contribution are timely paid and reported, and (ii) check with external auditors if there is any change in the requirements in the social security insurance and housing provident contribution so that method of calculation is to be adjusted.	January 2019

Risk Management System

We recognize that risk management is critical to the success of any property developer and any construction company in China. Key operational risks that we face include changes in general market conditions and the regulatory environment of the real estate market and the construction market in China, availability of suitable land sites for developments at commercially acceptable prices, local economic environment, expansion risks relating to entering into new cities or geographic regions, ability to timely complete our construction projects while maintaining sound quality and safety standards, available financing to support our growth, competition from other property developers and construction companies, and our ability to promote and sell our properties in a timely fashion. In order to meet these challenges, we have adopted, or expect to adopt before the Listing, a series of risk management policies, procedures and plans that are designed to reasonably ensure effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. See "Risk Factors" for a discussion of various risks and uncertainties we face. In addition, we also face various market risks. In particular, we are exposed to credit, liquidity, interest rate and currency risks that arise in the normal course of our business. See "Financial Information — Market Risk Disclosure" for a discussion of these market risks.

In order to face these challenges, we have established the following management structure and measures to manage of our risks:

- Our Board is responsible for and has general powers over the management and conduct of the business of our Group. Any significant operational decisions involving material risks, such as decisions to expand into new geographic regions or to incur significant corporate finance transactions, are reviewed, analyzed and approved at the board level to ensure a thorough examination of the associated risks at our highest corporate governance body.

- Our legal and audit department is responsible for proposing risk management strategies, formulating policies on risk management, coordinating and preparing risk management assessments and reports, guiding all departments on relevant tasks and conducting all training sessions in risk management. It is also in charge of designing a comprehensive risk evaluation system and supervising the implementation of risk management measures.

- Each of our functional departments is in charge of the daily business operations and risk monitoring, and is responsible for the supervision of respective fields of operations on a daily basis. Each department is also responsible for formulating its own risk management strategies and rectifying any deviations in the implementation of such strategies.

- We have adopted internal policies and procedures for various aspects of our operations. We provide training to our employees in order to enhance their knowledge of our corporate culture, with a view to better managing our operational and market risks.

Our Directors' View

Our Directors are of the view that (i) the above measures are adequate and will effectively ensure a proper internal control system to prevent future similar non-compliance with the PRC laws and regulations, and (ii) the non-compliances would not negatively reflect on our Directors' competency under Rules 3.08 and 3.09 and hence our Company's suitability for Listing.

OVERVIEW

Immediately after completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), Mr. Li, through Jixiang International Industrial, will hold approximately 74.25% of our Company's enlarged issued share capital. Mr. Li and Jixiang International Industrial will remain as our Controlling Shareholders upon Listing.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after Listing.

Management Independence

Our Board comprises six executive Directors and three independent non-executive Directors. For more details, see "Directors and Senior Management." Mr. Li, our executive Director and the chairman of the Board, is also our Controlling Shareholder.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she must act for the benefit of and in the best interests of our Company and no conflict between his/her duties as a Director and his/her personal interests shall exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the relevant Board meeting. In addition, we believe that our independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

We have the capabilities and personnel to perform all essential administrative functions, including financial and accounting, human resources, business management and research and development on a standalone basis. Although Mr. Li, our executive Director and the chairman of the Board, is also a director of Jixiang International Industrial, given that Jixiang International Industrial was incorporated as part of the Reorganization for investment holding purpose only, Mr. Li will be able, and has undertaken, to devote all of his time and attention to the development strategy and strategic planning and business of our Group. Save as disclosed above, there is no and will not be overlap of the Directors or members of the management team of the Controlling Shareholders (and their respective close associates) and our Group. The daily operation of our Group is carried out by an experienced management team substantially independent from our Controlling Shareholders.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, is able to perform the managerial role in our Group independently.

Operational Independence

We have full rights, hold all relevant licenses and have sufficient capital and employees necessary to make all decisions on, and to carry out, our own business operation independently of our Controlling Shareholders and their respective close associates and will continue to do so after Listing.

Intellectual property rights and licenses required for operation

We do not rely on trademarks owned by our Controlling Shareholders or their respective close associates. In addition, we hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business. See "Appendix V — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual property rights of our Group."

Access to customers and suppliers

We conduct our own sales and marketing through our sales and marketing center and independent third-party agents. Our Group has independent access to a large and diversified base of customers and is not dependent on our Controlling Shareholders and/or their respective close associates with respect to suppliers for our business operations. Save as disclosed in "Continuing Connected Transactions" in this prospectus, none of our Controlling Shareholders or Directors or their respective close associates has been our major supplier or customer during the Track Record Period which provides any critical services or materials for our business operation. We are able to identify other suitable material suppliers, service providers or tenants without undue delay if we terminate the transactions as disclosed in "Continuing Connected Transactions" in this prospectus. The existence of the above transactions will not affect our operational independence from the Controlling Shareholders and their respective close associates after Listing.

Operational facilities

All the properties and facilities necessary to our business operations are owned by us or leased from Independent Third Parties.

Employees

As of the Latest Practicable Date, the business of our Group has been operated by our own employees who were recruited independently by our Group primarily through recruitment websites, sub-contracting with independent contractors, on-campus recruitment programs, advertisements in newspapers, recruiting firms and internal referrals. Such employees have been managed independently by our human resource system.

Connected transactions with our Controlling Shareholders

Save for the continuing connected transactions set out in "Continuing Connected Transactions" in this prospectus, our Directors do not expect that there will be any other transaction between our Group and our Controlling Shareholders or their respective associates upon or shortly after Listing.

Based on the above, our Directors believe that we are able to operate independently from our Controlling Shareholders and their respective close associates.

Financial Independence

We have established our own finance department with a team of financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, independent from our Controlling Shareholders and their respective close associates. We can make financial decisions independently and our Controlling Shareholders do not intervene with our use of funds. We have also established an independent audit system, a standardized financial and accounting system and a complete financial management system. In addition, we have been and are capable of obtaining financing from independent third parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective close associates.

As of the Latest Practicable Date, we did not provide any guarantee in favor of our Controlling Shareholders or their respective close associates.

As of the Latest Practicable Date, the Controlling Shareholders and their respective close associates have provided guarantees for certain of our loans in a total amount of RMB469 million (the "**Loans**") with the details as follows:

No.	Borrower	Lender	Date of the loan agreement	Principal	Duration	Interest rate (per annum)	Outstanding loan amount	Guarantees and/or mortgages	Purpose
1	Tianbao Construction Group	Beijing Bank, Baoding Branch	December 3, 2018	RMB200 million	One year from the first withdrawal date (i.e. from December 3, 2018 to December 2, 2019)	The prime lending rate one day before the withdrawal date plus 134.5 basis points (i.e. 5.655%)	RMB200 million	• Guarantees provided by Mr. Li and Ms. Zhou • Guarantees and mortgages provided by Tianbao Property Development	For purchase of construction raw materials
2	Tianbao Construction Group	Beijing Bank, Baoding Branch	December 28, 2018	RMB150 million	One year from the first withdrawal date (i.e. from December 28, 2018 to December 28, 2019)	The prime lending rate one day before the withdrawal date plus 134.5 basis points (i.e. 5.655%)	RMB150 million	• Guarantees provided by Mr. Li and Ms. Zhou • Guarantees and mortgages provided by Tianbao Property Development	For purchase of construction raw materials
3	Tianbao Property Development	Industrial and Commercial Bank of China, Zhuozhou Branch	June 16, 2017	RMB130 million	From July 10, 2017 to June 5, 2020	The prime lending rate one day before the withdrawal date plus 45 basis points (i.e. 4.750%)	RMB119 million	• Guarantees provided by Mr. Li and Ms. Zhou • Guarantees provided by Mr. Li Yaruixin and Ms. Wang Wei, his spouse • Mortgage provided by Tianbao Property Development	For property development of Tianbao Green City

As of the Latest Practicable Date, Beijing Bank, Baoding Branch and Industrial and Commercial Bank of China, Zhuozhou Branch had given their respective consents that (i) the guarantee provided by Mr. Li and Ms. Zhou to secure the loan in the principal amount of RMB200 million, (ii) the guarantee provided by Mr. Li and Ms. Zhou to secure the loan in the principal amount of RMB150 million, and (iii) the guarantee provided by Mr. Li, Ms. Zhou, Mr. Li Yaruixin and Ms. Wang Wei (being the spouse of Mr. Li Yaruixin) to secure the loan in the principal amount of RMB130 million will be released and replaced by a corporate guarantee to be given by our Group upon Listing.

Our amount due to Mr. Li of RMB99.1 million as of April 30, 2019 had been fully settled in cash by our internal resources. We did not draw down any loan facilities to repay such amount.

Save as disclosed above, as of the Latest Practicable Date, there were no other non-trade nature amounts, including but not limited to loans, advances or balances due to or from our Controlling Shareholders and/or their respective close associates which have not been fully settled, nor were there guarantees provided to us by our Controlling Shareholders and/or its close associates which have not been released.

Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

DELINEATION OF BUSINESSES

Business of our Group

Our business operations consist of two principal business segments: (i) properties development; and (ii) properties construction contracting. For further details of the principal business of our Group, see "Business" in this prospectus.

Business of our Controlling Shareholders and their respective close associates

In addition to the interests in our Group, our Controlling Shareholders and their respective close associates engage in the following business:

Company Name	Shareholding	Business Scope
Zhuozhou Tianbao Construction	• 70%: Mr. Li • 30%: Baoxin Industrial	Provision of construction materials and not engaged in provision of any construction contracting service
Baoxin Industrial	• 80%: Ms. Zhou • 20%: Mr. Li Yaruixin	Investment holding
Huale Germchit Company Limited (華樂種苗有限公司)	• 100%: Baoxin Industrial	Planting and sales of plants
Zhuozhou Tianbao Property Management	• 100%: Baoxin Industrial	Property management service

Company Name	Shareholding	Business Scope
Zhangbei County Tianbao Property Management	• 100%: Zhuozhou Tianbao Property Management	Property management service
Hebei Jingnan Intellectual Construction Technology Company Limited (河北京南智慧建築科技有限公司)	• 60%: Baoxin Industrial • 40%: Independent Third Party	Software development
Zhangbei Tianbao Neotype Construction Company Limited (張北天保新型建材有限公司)	• 100%: Baoxin Industrial	Sales of construction materials
Hebei Tianbao Village Technology Company Limited (河北天保農業科技有限公司)	• 100%: Baoxin Industrial	Agriculture technology development and consultancy

No Competition and Clear Delineation of Business

As illustrated above, the Directors are of the view that there is a clear delineation between the businesses operated by our Controlling Shareholders or their respective close associates and our Group. As of the Latest Practicable Date, as confirmed by each of our Controlling Shareholders and the Directors and so far as our Directors are aware, (1) apart from the interest in our Group, none of our Controlling Shareholders or their respective close associates was engaged or had any interest in any business which, directly or indirectly, competes or may compete with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules; and (2) none of our Directors had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of our Group, which would require disclosure under Rule 8.10 of the Listing Rules.

NON-COMPETITION UNDERTAKINGS

To ensure that competition does not develop between us and other business activities and/or interests of our Controlling Shareholders, each of our Controlling Shareholders (collectively, the "**Covenantors**" and each, a "**Covenantor**") has entered into a Deed of Non-competition in favor of our Group on October 21, 2019, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with our Company that at any time during the Relevant Period (as defined below), the Covenantor shall not, and shall procure that its/his/her close associates (other than members of our Group) shall not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities, whether in or outside the PRC, which are the same as, similar to or in competition or likely to be in competition with the business carried on or contemplated to be carried on by any member of our Group from time to time (the "**Restricted Business**").

The above restrictions do not prohibit any of the Covenantors and its or his close associates (excluding members of our Group) from:

(a) holding any securities of any companies which conducts or is engaged in any Restricted Business through their interests in our Group;

(b) through acquiring or holding any investment or interest in units or shares of any company, investment trust, joint venture, partnership or other entity in whatever form which engages in any Restricted Business where such investment or interest does not exceed 10% of the issued shares of such entity provided that (1) such investment or interest does not grant the Covenantors or their respective close associates any right to control the composition of the board of directors or managers of such entity, (2) none of the Covenantors or their respective close associates control the board of directors or managers of such entity, and (3) such investment or interest does not grant the Covenantors or their respective close associates any right to participate directly or indirectly in such entity.

Each of the Covenantors has also undertaken to refer, or to procure the referral of, any investment or commercial opportunities relating to any Restricted Business ("**New Business Opportunities**" and each, a "**New Business Opportunity**") to us (for ourselves and as trustee for the benefit of each of our subsidiaries from time to time) in the following manner:

- As soon as it/he/she becoming aware of any New Business Opportunity, give written notice (the "**Offer Notice**") to us identifying the target company (if relevant) and the nature of the New Opportunity, detailing all information available to it/him/her for us to consider whether to pursue such New Business Opportunity (including details of any investment or acquisition costs and the contact details of the third parties offering, proposing or presenting the New Business Opportunity to it).

- Our Company shall, as soon as practicable and in any case within 30 business days from the receipt of the Offer Notice (the "**Offer Notice Period**") notify the relevant Covenantor in writing of any decision taken to pursue or decline the New Business Opportunity. During the Offer Notice Period, our Company may negotiate with the third party offering it/him/her, proposing or presenting the New Business Opportunity and the relevant Covenantor shall use its/his/her best endeavors to assist us in obtaining such New Business Opportunity on the same or more favorable terms.

- Our Company is required to seek approval from our independent non-executive Directors who do not have a material interest in the matter for consideration as to whether to pursue or decline the New Business Opportunity, and that the appointment of an independent financial advisor to advise on the terms of the transaction in the subject matter of such New Business Opportunity may be required.

- The relevant Covenantor may, at its/his/her absolute discretion, consider extending the Offer Notice Period as appropriate.

- The relevant Covenantor shall be entitled to but shall not be obliged to carry on, engage, invest, participate or be interested (economically or otherwise) in the New Business Opportunity (whether individually or jointly with another person and whether directly or indirectly or on behalf of or to assist any other person) on the same, or less favorable, terms and conditions in all material respects as set out in the Offer Notice if:

  (i) it/he/she has received a written notice from us declining the New Business Opportunity; or

  (ii) it/he/she has not received any written notice from us of our decision to pursue or decline the New Business Opportunity within 30 business days from our receipt of the Offer Notice, or if it/he/she has extended the Offer Notice Period, within such other period as agreed by it, in which case our Company shall be deemed to have declined the New Business Opportunity.

- If there is a change in the nature or proposal of the New Business Opportunity pursued by the relevant Covenantor, it/he/she shall refer the New Business Opportunity as revised and shall provide to us details of all available information for us to consider whether to pursue the New Business Opportunity as revised.

When considering whether or not to pursue any New Business Opportunities, our independent non-executive Directors will form their views based on a range of factors, including but not limited to, the estimated profitability, investment value and permits and approval requirements. The Covenantors, for themselves and on behalf of their respective close associates (except any members of our Group), have also acknowledged that our Company may be required by the relevant laws, regulations and rules and regulatory bodies to disclose, from time to time, information on the New Business Opportunities, including but not limited to disclosure in public announcements or annual reports of our Company our decisions to pursue or decline the New Business Opportunities, and have agreed to disclose to the extent necessary to comply with any such requirements.

Under the Deed of Non-competition, each of the Covenantors has further irrevocably and unconditionally undertaken jointly and severally, with us the following:

(i) the Covenantors shall provide, and shall procure their respective close associates (other than members of our Group) to provide, during the Relevant Period (as defined below), where necessary and at least on an annual basis, all information necessary for the review by our independent non-executive Directors, subject to any relevant laws, rules and regulations or any contractual obligations, to enable them to review the Covenantors' and their respective close associates' (other than members of our Group) compliance with the Deed of Non-competition, and to enable the independent non-executive Directors to enforce the Deed of Non-competition;

(ii) without prejudicing the generality of paragraph (i) above, the Covenantors shall provide to us with an annual declaration for inclusion in our annual report, in respect of their compliance with the terms of the Deed of Non-competition;

(iii) the Covenantors have agreed and authorized us to disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-competition, either through our annual reports or by way of public announcements;

(iv) in the event of Deed of Non-competition involving any matter that may have or cause an actual or potential conflict of interest, each of the Covenantors shall recuse himself or itself, or shall abstain from voting the same for consideration or approval, and shall not be counted in any shareholder and/or Board meeting of the Company; and

(v) each of the Covenantors agrees to indemnify us from and against any and all losses, damages, claims, liabilities, costs and expenses (including legal costs and expenses) where we may suffer or incur as a result of any failure to comply with the terms of the Deed of Non-competition by the Covenantors or any of their respective close associates.

Our Company will disclose the decisions with basis on matters reviewed by our independent non-executive Directors relating to the compliance with and enforcement of the Deed of Non-competition either in the annual report of our Company or by way of announcement to the public.

For the purposes of the above, the "Relevant Period" means the period commencing from the Listing Date and shall expire on the earlier of (i) the date when the Covenantors and any of their respective close associates, cease to hold, or otherwise be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of our Company or (ii) the date on which our Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of our Shares).

CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Controlling Shareholders and our Group and to safeguard the interests of the Shareholders taken as a whole for the following reasons:

- the independent non-executive Directors will review, on an annual basis, the compliance with non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition;

- our Controlling Shareholders shall provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

- our Company will disclose decisions on matters (and the basis thereof) reviewed by the independent non-executive Directors (including all rejections by our Company of New Business Opportunities that have been referred from our Controlling Shareholders) relating to the compliance with and enforcement of the non-competition undertakings by our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company or by way of announcements;

- our Controlling Shareholders will make annual statements on compliance with the Deed of Non-competition in our annual reports, which is consistent with the principles of making disclosure in the corporate governance report of the annual report under the Listing Rules;

- as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provide that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates has a material interest nor shall such Director be counted in the quorum present at the meeting;

- a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and abstain himself/herself from the board meetings on matters in which such Director or any of his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;

- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and believe that our independent non-executive Directors possess sufficient expertise, experience and qualifications and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide impartial and external opinions to protect the interests of our public Shareholders. For details of our independent non-executive Directors, see "Directors and Senior Management — Board — Independent non-executive Directors;"

- in the event that our independent non-executive Directors are requested to review any circumstances where there may be conflicts of interests between our Group on the one hand and our Controlling Shareholders, our Directors and/or their respective close associates on the other hand, our Controlling Shareholders, our Directors and/or their respective close associates shall provide our independent non-executive Directors with all necessary information and our Company shall disclose the decisions (and the basis thereof) of our independent non-executive Directors either through its annual report or by way of announcements; and

- we have appointed Guotai Junan Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to Directors' duties and corporate governance.

BOARD

Our Board consists of nine Directors, including six executive Directors and three independent non-executive Directors. The functions and duties of our Board include determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions and for the increase or reduction of registered capital. In addition, our Board is responsible for exercising other powers, functions and duties in accordance with the Articles of Association and all applicable laws and regulations, including the Listing Rules.

The following table sets forth information regarding our Directors.

Name	Age	Position in our Board	Date of appointment	Date of joining our Group	Principal roles and responsibilities	Relationship with other Directors
Mr. Li Baotian (李保田先生)	64	Executive Director, Chairman of the Board and chairman of the Nomination Committee	November 16, 2018	March 18, 1998	Responsible for overall strategy, business development and management of our Group	Father of Mr. Li Yaruixin and uncle-in-law of Ms. Wang Xinling
Ms. Shen Lifeng (申麗鳳女士)	53	Executive Director	April 17, 2019	April 17, 2019	Responsible for the management of securities market, investment and financing of our Group	None
Ms. Wang Xinling (王新玲女士)	36	Executive Director	April 17, 2019	June 6, 2001	Responsible for operation and business management of Tianbao Construction Group	Niece-in-law of Mr. Li
Mr. Li Yaruixin (李亞睿鑫先生)	35	Executive Director	April 17, 2019	June 1, 2007	Responsible for operation and business management of Tianbao Property Development	Son of Mr. Li
Mr. Zang Lin (臧凜先生)	40	Executive Director	April 17, 2019	October 5, 1999	Responsible for property operation and management of Tianbao Property Development	None
Ms. Wang Huijie (王慧杰女士)	51	Executive Director	April 17, 2019	January 1, 2001	Responsible for administrative management of Tianbao Construction Group	None
Mr. Li Xu (李煦先生)	45	Independent non-executive Director and chairman of the Audit Committee	June 25, 2019	June 25, 2019	Providing independent advice on the operations and management of our Group	None
Mr. Liu Kaixiang (劉凱湘先生)	54	Independent non-executive Director	June 25, 2019	June 25, 2019	Providing independent advice on the operations and management of our Group	None
Mr. Li Qingxu (李清旭先生)	63	Independent non-executive Director and chairman of the Remuneration Committee	June 25, 2019	June 25, 2019	Providing independent advice on the operations and management of our Group	None

Executive Directors

Mr. Li Baotian (李保田先生), aged 64, is an executive Director, Chairman of the Board and chief executive officer of our Company. Mr. Li was appointed as a Director on November 16, 2018 and was redesignated as an executive Director on April 17, 2019. Mr. Li has over 33 years of experience in property development and construction contracting industry. Mr. Li is our Controlling Shareholder as well as the father of Mr. Li Yaruixin (李亞睿鑫先生) and uncle-in-law of Ms. Wang Xinling (王新玲女士).

Mr. Li is a representative of the 15th People's Congress, Baoding City (保定市第十五屆人民代表大會代表), a member of the presidium of the People's Congress, Zhuozhou City (涿州市人大代表主席團成員) and has been a vice president of Federation of Industry and Commerce of Zhuozhou City (涿州市工商業聯合會) since 1998.

Mr. Li has received various awards in recognition of his achievements. In November 2009, he was awarded the 4th Outstanding Builder of Socialism with Chinese Characteristics of Hebei Province (第四屆河北省優秀中國特色社會主義事業建設者稱號). In 2010, he was named as the Advanced Worker of the Quality Management of Construction (全國工程建設質量管理先進工作者) by China Construction Industry Association (中國建築業協會). In 2011, he was honored as the Senior Occupational Manager in China's construction industry of 2011 (2011年度中國建築業優秀高級職業經理人). In December 2014, he was conferred as the Outstanding Entrepreneur in Hebei province (河北傑出企業家). In 2016, he was awarded the 2015 Excellent Enterprise Manager in Construction Industry in Hebei province (2015年度河北省建築業優秀企業管理者) and the 2016 Outstanding Entrepreneur in Hebei province (2016年度河北省優秀企業家). In 2018, he was awarded the 2017 National Outstanding Entrepreneur in Construction Industry (2017年度全國優秀施工企業家).

Mr. Li obtained an adult higher education certificate (成人高等教育專業證書) in urban construction issued by Hebei Agricultural University (河北農業大學) in June 2002.

Mr. Li was the person-in-charge of the branch office which was established in China before its deregistration:

Name of the branch office	Nature of business	Position	Status of such branch office	Reason	Date of deregistration
Tianbao Property Development Company Limited Zhuozhou Xihe Branch (天保房地產開發有限公司涿州西河分公司)	Sales of premises developed by the Company, decorative materials and building materials	Person-in-charge	Deregistration	Not yet commence business	March 31, 2010

Mr. Li confirmed that (i) there was no wrongful act on his part leading to the deregistration of the above branch office; (ii) he was not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of the above branch office; and (iii) the above branch office was solvent at the time of its deregistration.

Ms. Shen Lifeng (申麗鳳女士), aged 53, is an executive Director and vice president of our Group. Ms. Shen was appointed as an executive Director on April 17, 2019. Ms. Shen has more than 32 years of experience in law, investment and financing management and corporate management.

Ms. Shen has been a founding arbitrator of the Arbitration Committee of Langfang City (廊坊市仲裁委員會) since June 2017. She was an executive committee member of the Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會) and a vice president of the General Chamber of Commerce of Hebei Province (河北省總商會) until August 2017. From February 2019 to April 2019, she served as the chief executive officer of Porda Havas International Finance Communications (Group) Holdings Company Limited (博達浩華國際財經傳訊(集團)控股有限公司).

Her previous work experience includes serving as a teaching assistant in the department of law of Hebei University (河北大學) from September 1987 to October 1989; the director of the legal department, an assistant to the general manager and a vice general manager of Hebei Textiles Import and Export (Group) Company (河北省紡織品進出口(集團)公司) from October 1989 to May 2006; a standing vice general manager and a member of the discipline-inspection committee of Shenglun International Industrial Group Co., Ltd. (聖侖國際實業集團股份有限公司), responsible for the reorganization and restructuring of the state-owned enterprise from May 2006 to December 2007; an executive director and the general manager of Shaanxi Kunzheng Mining Co., Ltd. (陝西坤正礦業股份有限公司) from September 2008 to August 2014; and the chief director in charge of PRC businesses of Chong & Partners LLP from September 2016 to February 2019. Ms. Shen has been an independent non-executive Director of Hebei Construction Group Corporation Limited (河北建設集團股份有限公司) (stock code: 1727.HK), a company listed on the Main Board of the Stock Exchange, since December 15, 2017.

Ms. Shen obtained a bachelor of law degree from Hebei University in July 1987 and obtained a master degree of economics in world economy from Hebei University in June 1999. She also obtained a Ph.D. Degree in civil and commercial law from Peking University Law School in June 2005 and a master's degree in Buddhist Studies from University of Hong Kong in November 2015. Ms. Shen obtained the qualifications of lawyer from the Lawyer's Qualification Review Committee of the Ministry of Justice (司法部律師資格審查委員會) in June 1998 and senior economist from the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in November 1998, respectively. Ms. Shen was accredited the 2004 "Top Ten Excellent Youth of Hebei (河北十大傑出青年)" and the first-class merit for individuals (個人一等功) by the China Communist Youth League Committee of Hebei Province (共青團河北省委員會) and Hebei Provincial Department of Human Resources and Social Security (河北省人力資源和社會保障廳) and the "Top Ten Excellent Youth of Enterprises contributed by Hebei SASAC (河北省國資委所出資企業十大傑出青年)" by Hebei SASAC in 2005, respectively. Ms. Shen was also elected and served as the representative of the 6th and 7th sessions of the Party Congress of Hebei Province.

Notwithstanding that Ms. Shen was officially appointed as an executive Director on April 17, 2019, she is capable of discharging her duties as an executive Director based on the followings:

(i) Ms. Shen served as directors of certain PRC companies, and she has also been an independent non-executive director of a listed company on the Main Board of the Stock Exchange since 2017. Therefore, our Directors believe that Ms. Shen has sufficient knowledge and experience to serve as an executive Director.

(ii) Ms. Shen is mainly responsible for promoting and marketing securities and financing of our Group. In order to effectively discharge her responsibilities, it is necessary for Ms. Shen to be engaged in the daily operation of our Group to better understand its business advantages and financial needs.

(iii) Ms. Shen's extensive legal knowledge and solid legal skills provide effective assistance for our Group to further strengthen our internal control measures and ensure our Group's compliance with the relevant law and regulations going forward.

Based on the extensive experience of Ms. Shen above, both our Directors and the Joint Sponsors are of the view that she is capable of discharging her duties as an executive Director.

Ms. Wang Xinling (王新玲女士), aged 36, is an executive Director and vice president of our Group. Ms. Wang was appointed as an executive Director on April 17, 2019. Ms. Wang is the niece-in-law of Mr. Li. She is the general manager of Tianbao Construction Group and the director and general manager of Yuxian Tianbao Property Development. Ms. Wang joined Tianbao Construction Group as a safety officer of project department in June 2001 and was the manager of safety and environmental protection department from January 2002 to February 2005 and held the positions of vice general manager and the standing vice manager from February 2007 to January 2018. She has over 17 years of experience in construction industry.

Ms. Wang has been the deputy president of Construction Association in Hebei Province (河北省建築業協會) since 2016 and a deputy president of the Construction Association in Baoding City (保定市建築業協會) since December 30, 2016.

In 2011, Ms. Wang was awarded the March 8th Flag Bearer of 2010 (2010年度三八紅旗手) by Women's Federation of Zhuozhou (涿州市婦女聯合會). In 2013, she was honored as the outstanding leader of the quality management group of the national construction of 2013 (2013年度全國工程建設質量管理小組活動卓越領導者) by the Committee on the China Construction Quality Award (國家工程建設質量獎審定委員會). In 2016, 2017 and 2018, she was conferred as the excellent enterprise manager in construction industry in Hebei Province (河北省建築業優秀企業管理者) by the Construction Association in Hebei Province (河北省建築業協會) for three consecutive years. In 2017, she was honored with the Outstanding Contribution Award of National High Quality Project Award of 2016–2017 (2016至2017年度國家優質工程獎突出貢獻者) by the China Construction Enterprise Management Association (中國施工企業管理協會). In 2018, she was awarded as the outstanding leader of the Quality Management Group of Construction (工程建設質量管理小組活動卓越領導者) by the China Construction Enterprise Management Association (中國施工企業管理協會).

Ms. Wang completed the Executive Business Administration Studies Course (高級工商管理課程研修班) organized by the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in November 2011 and obtained the graduation certificate in urban economics and management via the Self-taught Higher Education and Examination (高等教育自學考試) from Hebei Agricultural University (河北農業大學) in December 2004. Ms. Wang obtained a Qualification Certificate of Intermediate Professional Technical Position (中級專業技術職務任職資格證書) as an engineer of construction from the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2016. Ms. Wang has been studying an undergraduate program in civil engineering in Hebei University of Science and Technology Higher Adult Education (河北科技大學成人高等教育) via online learning since March 2017 and expects to graduate in July 2019 and has been studying a master of management programme in Australian National University, which is a part-time programme taught in Tsinghua University, Beijing and the language of instruction in Mandarin since December 2018.

Mr. Li Yaruixin (李亞睿鑫先生), aged 35, is an executive Director and vice president of our Group. Mr. Li Yaruixin was appointed as an executive Director on April 17, 2019. Mr. Li Yaruixin is the son of Mr. Li. He is the assistant to the executive director of Tianbao Property Development. Mr. Li Yaruixin joined Tianbao Construction Group as an officer of planning department in June 2007. From July 2009 to June 2010, he served as vice manager of Tianbao Property Development. He has been the director and general manager of Zhangbei Tianbao Hengqi Property since October 2013, the director of Zhuozhou City Mingyang Property since June 2016 and the director and manager of Chengdu Tianbao Property Development since April 2018. Mr. Li Yaruixin has over 11 years of experience in construction industry. He has been a director of Hebei Zhuozhou Agricultural Commercial Bank Co., Ltd (河北涿州農村商業銀行股份有限公司) since June 19, 2017.

Mr. Li Yaruixin also currently serves as a member and standing committee member of the Zhuozhou City 8th Chinese People's Political Consultative Conference (政協涿州市第八屆委員會委員及常委).

In 2005, Mr. Li Yaruixin was awarded as the New Long March Pioneer of Zhuozhou City (涿州市新長征突擊手) by the Zhuozhou Committee of Youth League of China (中國共產主義青年團涿州市委員會). In 2012, he was awarded as the Excellent Committee Member of Zhuozhou City (涿州市優秀青聯委員) by Zhuozhou Youth Federation (涿州市青年聯合會). In 2013, he was conferred as the Outstanding Communist Youth League member of Hebei Province (河北省優秀共青團幹部) by the Hebei Committee of Youth League (中國共產主義青年團河北省委員會). In 2014, he was named as the Model Worker of 2011–2012 (2011至2012年度勞動模範) by the People's Government of Zhuozhou City (涿州市人民政府). In April 2019, he was awarded as the excellent enterprise manager in Construction Industry in Hebei Province of 2018 (2018年度河北省建築業優秀企業管理者) by the Construction Association in Hebei Province (河北省建築業協會).

Mr. Li Yaruixin obtained the graduation certificate from Hebei Agricultural University (河北農業大學) majoring in urban planning (城鎮規劃) in June 2007, and he was admitted to the degree of Master of Business Administration by Business School of Netherlands, which is a part-time programme taught in China, in September 2015. Mr. Li Yaruixin was qualified as a structural engineer (結構工程師) in December 2014 and as a municipal engineer (市政工程師) in December 2016 by the Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室).

Mr. Li Yaruixin was an executive partner or operator of the following companies which were established in China before their respective deregistration:

Name of the company	Nature of business	Position	Status of such company	Reason	Date of deregistration
Zhuozhou Baoxin Enterprise Management Consulting Service Center (涿州保鑫企業管理諮詢服務中心)	Provision of consultation services	Executive partner	Deregistration	Not yet commence business	December 28, 2018
Zhuozhou Aiya Decoration Design Studio (涿州市艾亞裝飾設計工作室)	Provision of decoration service	Operator	Deregistration	Not yet commence business	October 8, 2018

Mr. Li Yaruixin confirmed that (i) there was no wrongful act on his part leading to the deregistration of each of the above companies; (ii) he was not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration of each of the above companies; and (iii) each of the above companies was solvent at the time of its deregistration.

Mr. Zang Lin (臧凛先生), aged 40, is an executive Director and vice president of our Group. Mr. Zang was appointed as an executive Director on April 17, 2019. Mr. Zang joined Tianbao Construction Group in October 1999 and served various positions in Tianbao Construction Group, including manager of technical and quality department from October 1999 to June 2005 and standing vice manager from June 2005 to March 2010. He has been the vice general manager of Tianbao Construction Group since March 2010 and executive director and manager of Huailai Tianbao Property Development since August 2016. He has over 19 years of experience in construction industry.

Mr. Zang is a member of the Zhangbei County 16th Chinese People's Political Consultative Conference (中國人民政治協商會議張北縣第十六屆委員會).

In 2008, Mr. Zang was awarded as the Constructor of Chinese Characteristic Socialism (中國特色社會主義事業建設者) by the United Front Work Department of Zhuozhou City of China (中國涿州市委統戰部) and the Federation of Industry and Commerce of Zhuozhou City (涿州市工商業聯合會). In 2009, he was awarded as the Excellent Worker for Management of Construction Engineering, Economy and Technology in Baoding City (保定市優秀建設工程經濟技術管理工作者) by Construction Association in Baoding City (保定市建築業協會). In 2015, he was the project manager of Zhuozhou 107 National Road and Connection Line Transformation Project (涿州市107國道至連接線改造項目) and such project was awarded the outstanding construction of Hebei Province with Anji Cup for Construction Engineering of Hebei Province in 2015 (2015年度河北省建設工程安濟杯獎) by the Construction Association in Hebei Province (河北省建築業協會). In 2017, he was awarded as the Outstanding Project Manager of the Construction Enterprises of China (全國建築業企業優秀項目經理)

by China Construction Industry Association (中國建築業協會). In 2018, he was awarded as the oustanding project manager in construction industry in Hebei Province of 2017 (2017年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會).

Mr. Zang passed the Self-taught Higher Education and Examination (高等教育自學考試) of Engineering of Industrial and Civil Buildings (工業與民用建築工程) and was approved for graduation by Hebei Agricultural University (河北農業大學) in June 1999. He obtained the graduation certificate on Adult Higher Education program (成人高等教育) majoring in Civil Engineering (土木工程) from Hebei University (河北大學) via distance learning in January 2017. He was qualified as an engineer in architectural engineering (建築工程工程師) in November 2013 by The Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室).

Ms. Wang Huijie (王慧杰女士), aged 51, is an executive Director and vice president of our Group. Ms. Wang was appointed as an executive Director on April 17, 2019. She is the secretary of the party committee and union president of Tianbao Construction Group. Ms. Wang joined Tianbao Construction Group as the union president and deputy secretary of the Party Committee in January 2001. She was a deputy secretary of the Party Committee of Tianbao Construction Group from January 2001 to October 2006, a deputy secretary of general party committee of Tianbao Construction Group from October 2006 to April 2009, and a deputy secretary of the party committee of Tianbao Construction Group from April 2009 to January 2018.

Ms. Wang is a member of Zhuozhou City 8th Chinese People Political Consultative Conference (涿州市政協第八屆委員).

In 2006, Ms. Wang was accredited as a Construction and Installation Flag Bearer of 2004–2005 (2004至2005年度生產建設紅旗手) by the Baoding City General Workers' Union (保定市總工會). From 2006 to 2016, she was awarded as the Excellent Worker of Workers' Union (優秀工會工作者) by the Zhuozhou City General Workers' Union (涿州市總工會) for 11 consecutive years. In 2007, she was awarded as the Advanced Female Worker in Hebei Province (河北省先進女職工工作者) by the General Workers' Union in Hebei Province (河北省總工會). In 2011, she was awarded as the Model Worker of Baoding (保定市勞動模範) by the People's Government of Baoding (保定市人民政府). In 2013, she was awarded as the National Outstanding Worker of the Labor Union (全國優秀工會工作者) by the All — China Federation of Trade Unions (中華全國總工會). In 2014, she was awarded as the Model Worker of Hebei Province (河北省勞動模範) by the People's Government of Hebei Province (河北省人民政府). In 2016, she was awarded as the National May-One Labor Medal (全國五一勞動獎章) by All-China Federation of Trade Unions (中華全國總工會).

Ms. Wang graduated from Huabei Petroleum College of Finance and Economics (華北石油財經學校) with a diploma majoring in marketing through distance learning in July 1998 and she was qualified as an Intermediate Policy Analyst (中級政工師) in April 2016.

Ms. Wang was a legal representative of the company which was established in China before its deregistration:

Name of the company	Nature of business	Position	Status of such company	Reason	Date of deregistration
Zhuozhou Tianxin Information Consulting Co., Ltd. (涿州市天鑫信息諮詢有限公司)	Provision of consultation services, sales of building materials, hardware and electricity, computer consumables etc.	Legal representative	Deregistration	Not yet commence business	January 13, 2011

Ms. Wang confirmed that (i) there was no wrongful act on her part leading to the deregistration of the above company; (ii) she was not aware of any actual or potential claim that has been or will be made against her as a result of the deregistration of the above company; and (iii) the above company was solvent at the time of its deregistration.

Independent non-executive Directors

Mr. Li Xu (李煦先生), aged 45, an independent non-executive Director. He was appointed as our independent non-executive Director on June 25, 2019. Mr. Li Xu is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Li Xu was a financial analyst of Lucent Technologies Inc., a company which was formerly listed on the New York Stock Exchange, in 1999. Prior to joining the University of Hong Kong, he served as an assistant professor of Lehigh University in the U.S. from August 2010 to August 2012 and was the assistant professor of the University of Texas at Dallas in the U.S. from August 2004 to August 2010. He has been the associate professor of the Faculty of Business and Economics at the University of Hong Kong since July 2012, where he was mainly involved in imparting practical knowledge in the commercial world during the teaching of accounting and financial management courses. He is currently the program director of executive master of business administration jointly offered by the University of Hong Kong and the Peking University (北京大學), where he is responsible for project management and promoting accounting, business and finance education towards the development of the business and finance profession and human capital.

Mr. Li Xu has obtained the Certified Financial Analyst (CFA) qualification from the Association for Investment Management and Research, now known as CFA Institute, since October 2003.

Mr. Li Xu received a bachelor's degree in Economics (International Business Management profession) from the University of International Business and Economics in Beijing (北京對外經濟貿易大學) in July 1997, a master degree in Finance from the Boston College in December 1998 and a degree of doctor of philosophy in accounting from Massachusetts Institute of Technology's Sloan School of Management in June 2004.

Mr. Li Xu possesses appropriate professional accounting or related financial management expertise required under Rule 3.10(2) of the Listing Rules and confirms that he has gained such expertise through his experiences, including the following:

- lecturing as associate professor of the Faculty of Business and Economics of the University of Hong Kong on accounting, auditing and financial management related courses at the University of Hong Kong, and such courses in projects jointly organized by the University of Hong, Kong, Peking University (北京大學) and Fudan University (復旦大學);

- conducting financial, auditing and accounting research and publishing in academic journals including *Journal of Accounting and Economics, the Accounting Review, Journal of Financial and Quantitative Analysis, Journal of Accounting and Public Policy, The International Journal of Accounting, Journal of Business Ethics* and *Journal of International Accounting Research*;

- acting as member of American Accounting Association since September 2002; and

- acting as member of MIT Asia Conference in Accounting Conference Program Committee from 2013 to 2018.

Mr. Liu Kaixiang (劉凱湘先生), aged 54, an independent non-executive Director. Mr. Liu was appointed as our independent non-executive Director on June 25, 2019. He is primarily responsible for providing independent advice on the operations and management of our Group.

He is also a professor and doctoral supervisor of Peking University Law School (北京大學法學院), vice president of China Commercial Law Research Society (中國商法學研究會) and an arbitrator of China International Economic and Trade Arbitration Commission (中國國際經濟貿易仲裁委員會) and Singapore International Arbitration Centre (新加坡國際仲裁中心). Mr. Liu has been the independent non-executive director of BAIC Motor Corporation Limited (北京汽車股份有限公司) (stock code: 1958.HK), a company listed on the Main Board of the Stock Exchange, since December 2014. He has also been the independent director of each of Beijing Hanjian Heshan Pipe Co., Ltd. (北京韓建河山管業股份有限公司) (stock code: 603616.SH) since June 2014, People.cn Co., Ltd. (人民網股份有限公司) (stock code: 603000.SH) since December 2016 and Chongqing Sokon Industry Group Stock Co.,Ltd. (重慶小康工業集團股份有限公司) (stock code: 601127.SH) since April 2017, all of which are listed on the Shanghai Stock Exchange. Mr. Liu served as an independent director of each of GuangZhou Seagull Kitchen And Bath Products Co.,Ltd. (廣州海鷗住宅工業股份有限公司) (stock code: 002084.SZ) from July 2006 to August 2009, Taiji Computer Corporation Ltd. (太極計算機股份有限公司) (stock code: 002368.SZ) from September 2008 to June 2017, Beijing Ultrapower Software Co., Ltd. (北京神州泰岳軟件股份有限公司) (stock code: 300002.SZ) from June 2010 to May 2016 and Beijing Orient Landscape Co., Ltd. (北京東方園林股份有限公司) (stock code: 002310.SZ) from December 2011 to December 2017, all of which are listed on the Shenzhen Stock Exchange.

Notwithstanding Mr. Liu's engagement as an independent non-executive director of four companies listed on the Stock Exchange or Shanghai Stock Exchange, as advised and confirmed by Mr. Liu, he has sufficient time to act as our independent non-executive Director based on the following:

(i) none of his current commitment as an independent non-executive director of those listed companies would require his full time involvement and he has not participated in the day-to-day operations of those listed companies;

(ii) with his background and experience, he is fully aware of the responsibilities and expected time involvements for an independent non-executive director. He has not found difficulties in devoting his time to multiple companies and he is confident that with his experience in taking on multiple corporate roles, he will be able to discharge his duties to our Company;

(iii) he has attended most of the board meetings of the listed companies where he is an independent non-executive director and none of the listed companies that he has directorship with has questioned or complained about his time devoted to such listed companies; and

(iv) his role in our Group is non-executive in nature and he will not be involved in the daily management of our Group's business. Thus his engagement as an independent non-executive Director will not require his full-time participation.

Based on the foregoing, neither our Directors nor the Joint Sponsors have reasons to believe that the various positions currently held by Mr. Liu will result in Mr. Liu not having sufficient time to act as our independent non-executive Director or not properly discharging his duties as our independent non-executive Director. Nevertheless, pursuant to the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), our Board will (i) regularly review the contribution required from our Directors to perform their respective responsibilities to us, and whether each Director is spending sufficient time in performing their responsibilities; (ii) at the time when it proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, set out the reasons in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why our Board believes such individual should be elected, the reasons why such individual is considered to be independent by our Board and, if required under the Corporate Governance Code, explain why such individual who is considered to be overboarded would still be able to devote sufficient time to our Board.

Mr. Liu served in the faculty of law of Beijing Technology and Business University (北京工商大學) from July 1987 to May 1999 and has been a professor and doctoral supervisor of Peking University Law School since June 1999.

Mr. Liu obtained a bachelor's degree in law from Southwest University of Political Science & Law (西南政法大學) in July 1984, and a master's degree and doctoral degree in law from Peking University (北京大學) in July 1987 and June 2001, respectively. Mr. Liu has received various awards, including the "National Outstanding Teachers Award" (全國優秀教師) and "Contemporary Chinese Law Expert" (當代中國法學名家).

Mr. Li Qingxu (李清旭先生), aged 63, an independent non-executive Director. Mr. Li Qingxu was appointed as our independent non-executive Director on June 25, 2019. He is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Li Qingxu served in the People's Liberation Army from December 1973 to March 1997. He changed his career and worked as the head of general office of China Construction Enterprise Management Association (中國施工企業管理協會) in August 1997. He was the director of the general office (辦公室主任) of China Construction Enterprise Management Association (中國施工企業管理協會) since April 2009. He has been the vice president, the head of commission of science and technology and the head of informatization committee of China Construction Enterprise Management Association (中國施工企業管理協會) since April 2015.

Mr. Li Qingxu graduated from the People's Liberation Army Armored Force Engineering Institute (中華人民共和國解放軍裝甲兵技術學院) with a bachelor's degree in engineering in May 1982.

For details of particulars of our Directors' service agreements and Directors' remuneration, please refer to the section headed "Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders" in Appendix V to this prospectus.

Save for the relationship among Mr. Li, Ms. Wang Xinling (王新玲女士) and Mr. Li Yaruixin (李亞睿鑫先生) as disclosed in this prospectus, each of our Directors had no other relationship with any other Directors, senior management or substantial or Controlling Shareholders as of the Latest Practicable Date.

Save for Ms. Shen Lifeng (申麗鳳女士) and Mr. Liu Kaixiang (劉凱湘先生)'s directorships in public companies in Hong Kong and overseas as disclosed in this section, none of our Directors held any other directorships in any public companies in Hong Kong and overseas in the three years immediately preceding the date of this prospectus.

Each of our Directors is not interested in any business, apart from our Company's business, which competes or is likely to compete, either directly or indirectly, with our Company's business.

As at the Latest Practicable Date, except as disclosed in "C. Further information about our Directors and Substantial shareholders — 1. Directors — (a) Disclosure of interests — interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations" in Appendix V to this prospectus, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

Except as disclosed above in this section, to the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, there was no additional information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there was no other matter with respect to their appointments as Directors that needs to be brought to the attention of our Shareholders as at the Latest Practicable Date.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business.

The following table sets forth information regarding our senior management personnel.

Name	Age	Position as a member of our senior management	Date of appointment	Date of joining our Group	Principal roles and responsibilities	Relationship with other Directors or senior management
Mr. Li Baotian (李保田先生)	64	Chief executive officer	April 17, 2019	March 18, 1998	Responsible for overall strategy, business development and management of our Group	Father of Mr. Li Yaruixin and uncle-in-law of Ms. Wang Xinling
Ms. Shen Lifeng (申麗鳳女士)	53	Vice president	April 17, 2019	April 17, 2019	Responsible for the management of securities market, investment and financing of our Group	None
Ms. Wang Xinling (王新玲女士)	36	Vice president	April 17, 2019	June 6, 2001	Responsible for operation and business management of Tianbao Construction Group	Niece-in-law of Mr. Li
Mr. Li Yaruixin (李亞睿鑫先生)	35	Vice president	April 17, 2019	June 1, 2007	Responsible for operation and business management of Tianbao Property Development	Son of Mr. Li
Mr. Zang Lin (臧凜先生)	40	Vice president	April 17, 2019	October 5, 1999	Responsible for property operation and management of Tianbao Property Development	None
Ms. Wang Huijie (王慧杰女士)	51	Vice president	April 17, 2019	January 1, 2001	Responsible for administrative management of Tianbao Construction Group	None
Mr. Li Guodong (李國棟先生)	35	Vice president	April 17, 2019	February 1, 2004	Responsible for market development and project management of Tianbao Construction Group	None
Mr. Yang Yanqing (楊艷青先生)	37	Vice president	April 17, 2019	June 1, 2006	Responsible for planning design, research and innovation management of Tianbao Construction Group	None
Ms. Liu Dandan (劉丹丹女士)	30	Chief financial officer	April 17, 2019	November 27, 2012	Responsible for overall financial and fund management of the Group	None

Our executive Directors, namely Mr. Li, Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Li Yaruixin, Mr. Zang Lin and Ms. Wang Huijie, concurrently hold senior management positions in our Group. For each of their biographies, please refer to "— Board — Executive Directors" in this section above.

Mr. Li Guodong (李國棟先生), aged 35, is the vice president of the Group and deputy general manager of Tianbao Construction Group. Mr. Li Guodong joined Tianbao Construction Group in February 2004 and served various positions in Tianbao Construction Group, including as safety and environmental protection officer from February 2004 to February 2005 and as the manager of safety and environmental protection department from February 2005 to February 2011. He has been the deputy general manager of Tianbao Construction Group since February 2011. Mr. Li Guodong has over 14 years of experience in safety and environmental protection field.

In 2011, Mr. Li Guodong was awarded as the excellent worker for management of construction engineering projects of Baoding City (保定市優秀建設工程項目管理工作者) by Construction Association in Baoding City (保定市建築業協會). In 2011, he was awarded as the excellent manager (promoter) of group activity for engineering construction quality management in Hebei Province of 2010 (2010年度河北省工程建設質量管理小組活動優秀管理者(推進者)) by the Construction Association in Hebei Province (河北省建築業協會), In 2013, he was awarded as the advanced worker for engineering construction quality management in Hebei Province of 2012 (2012年度河北省工程建設質量管理先進工作者) by Construction Association in Hebei Province (河北省建築業協會). In 2014, he was awarded as the Excellent Enterprise Manager in Construction Industry in Hebei Province of 2013 (2013年度河北省建築業優秀企業管理者) by Construction Association in Hebei Province (河北省建築業協會). In 2015 and 2016, he was awarded as the outstanding project manager in construction industry in Hebei Province of 2014 and 2015 (2014年度及2015年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會). In 2017, he was awarded as the outstanding project manager of the construction enterprises of China (全國建築業企業優秀項目經理) by China Construction Industry Association (中國建築業協會).

Mr. Li Guodong has completed the Executive Business Administration Studies Course (高級工商管理課程研修班) by the School of Continuing Education, Tsinghua University (清華大學繼續教育學院) in November 2011 and completed the Adult Higher Education program (成人高等教育) majoring in engineering management by Hebei Construction Engineering College (河北建築工程學院) via distance learning in January 2013.

Mr. Li Guodong obtained the registration Certificate of Second Grade Constructor (二級建造師註冊證書) issued by the Department of Development of Hebei Province (河北省建設廳) in March 2008. He was qualified as a senior engineer of architectural engineering from The Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2016.

Mr. Yang Yanqing (楊艷青先生), aged 37, is the vice president of the Group and deputy general manager of Tianbao Construction Group. He joined Tianbao Construction Group in June 2006 and served various positions in Tianbao Construction Group, including as assistant to chairman from September 2006 to June 2014 and the project manager from June 2014 to February 2017. He has been a deputy general manager of Tianbao Construction Group since February 2017. Mr. Yang has over 12 years of experience in construction industry.

In 2017 and 2018, Mr. Yang was awarded as the outstanding project manager in construction industry in Hebei Province of years 2016 and 2017 (2016年度及2017年度河北省建築業優秀項目經理) by Construction Association in Hebei Province (河北省建築業協會). In 2017, he was awarded as the outstanding leader of the quality management group of construction of 2017 (2017年度工程建設質量管理小組活動卓越領導者) by China Construction Enterprise Management Association (中國施工企業管理協會).

Mr. Yang graduated from Hebei University (河北大學) with a bachelor degree in engineering mechanics in June 2006. He obtained the Certificate of Registration of Constructor issued by the Ministry of Housing and Urban-Rural Construction of China (中國住房和城鄉建設部) in September 2013. He was qualified as an engineer of architectural engineering from The Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室) in December 2014. He will be a on-job postgraduate of the business administration profession in China University of Geosciences (中國地質大學) from September 2019 and expects to graduate in June 2022.

Ms. Liu Dandan (劉丹丹女士), aged 30, was appointed as the chief financial officer on April 17, 2019. Ms. Liu is primarily responsible for overall financial and fund management of our Group.

Ms. Liu joined the Group in November 2012 and served various positions, including as officer of finance department of Zhangbei branch of Tianbao Construction Group from November 2012 to June 2013, as finance manager of Zhangbei branch of Tianbao Construction Group from June 2013 to November 2014 and as finance manager of Zhangbei branch of Tianbao Property Development from December 2014 to October 2018. She has been the manager of finance and monitoring department of Tianbao Construction Group since November 2018.

Ms. Liu obtained a junior college graduation certificate in accountancy from Hebei Finance University (河北金融學院) in June 2011. She has been studying an undergraduate program in construction management in Hebei University of Architecture (河北建築工程學院) through distance learning since March 2017 and an undergraduate program in financial management in Hebei University of Science and Technology (河北科技大學) through distance learning since March 2018.

Ms. Liu has passed all subjects under the futures qualification examination of the China Futures Association (中國期貨業協會) and securities qualification examination of the Securities Association of China (中國證券業協會) in May 2011 and March 2014, respectively. Ms. Liu was accredited as a certified public accountant by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in April 2016. She obtained her intermediate accountant qualification from the Ministry of Human Resources and Social Security of the PRC (中國人力資源和社會保障部) in September 2016 and tax advisor qualification issued by The China Certified Tax Agents Association (中國註冊税務師協會) in November 2017.

JOINT COMPANY SECRETARIES

Mr. Du Hang (杜航先生), aged 26, was appointed as one of the joint company secretaries of our Company on April 10, 2019. Mr. Du joined Tianbao Construction Group as an officer of the department of corporate planning in July 2015. He served various positions in Tianbao Construction Group, including the assistant to the general manager of Tianbao Construction Group and deputy manager of the department of corporate planning of Tianbao Construction Group from September 2016 to June 2018. He has been a deputy manager of the department of development and planning of Tianbao Construction Group since June 2018. Mr. Du has over four years of experience in management and finance.

Mr. Du obtained the graduation certificate from Langfang Normal University (廊坊師範學院) majoring in international economics and trade in June 2015, and has been studying the Adult Higher Education Program (成人高等教育) majoring in civil engineering in Hebei GEO University (河北地質大學) via correspondence course since March 2017. Mr. Du was qualified as an assistant engineer in architectural engineering in December 2016 by The Office of the Leading Group for Professional Title Reforms in Hebei Province (河北省職稱改革領導小組辦公室).

Mr. Du is a member of scientific technology and talent skills sector of 13th China Communist Youth League Baoding Committee (保定市青年聯合會).

Mr. Lei Kin Keong (李健強先生), aged 43, was appointed as one of the joint company secretaries of our Company on April 10, 2019. Mr. Lei currently serves as an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited. He is currently a non-practising member of The Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. He holds a Bachelor of Art (Honours) in Accountancy from The Hong Kong Polytechnic University and a Postgraduate Diploma in Corporate Compliance from the University of Hong Kong (School of Professional and Continuing Education).

Pursuant to Rule 3.28 of the Listing Rules, an issuer must appoint as its company secretary an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules, with regards to the qualifications of company secretary. For further details of the waiver application, please refer to "Waiver from Strict Compliance with the Listing Rules — Appointment of Joint Company Secretaries".

AUDIT COMMITTEE

We have established an audit committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise our financial reporting process and internal control system of our Group, oversee the audit process, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by our Board.

The audit committee consists of three members, namely Mr. Li Xu (李煦先生), Mr. Liu Kaixiang (劉凱湘先生), and Mr. Li Qingxu (李清旭先生). The chairman of the audit committee is Mr. Li Xu (李煦先生), who is the independent non-executive Director with the appropriate accounting and related financial management expertise.

REMUNERATION COMMITTEE

We have established a remuneration committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to establish, review and make recommendations to our Directors on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives.

The remuneration committee consists of five members, namely Mr. Li Qingxu (李清旭先生), Mr. Li Xu (李煦先生), Mr. Liu Kaixiang (劉凱湘先生), Ms. Wang Xinling (王新玲女士) and Mr. Li Yaruixin (李亞睿鑫先生). The chairman of the remuneration committee is Mr. Li Qingxu (李清旭先生).

NOMINATION COMMITTEE

We have established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board, identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members, assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning for our Directors.

The nomination committee consists of five members, namely Mr. Li, Mr. Li Xu (李煦先生), Mr. Liu Kaixiang (劉凱湘先生), Ms. Shen Lifeng (申麗鳳女士) and Mr. Li Qingxu (李清旭先生). The chairman of the nomination committee is Mr. Li.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and members of our senior management receive compensation from our Company in the form of salaries, bonuses and other benefits in kind such as contributions to pension plans.

We incurred expenses in relation to remuneration (including fees, salaries, allowances, benefits in kind, pension schemes contributions and social welfare) for our Directors in aggregate for the three years ended December 31, 2016, 2017 and 2018 and four months ended April 30, 2019 of approximately RMB591,000, RMB696,000, RMB890,000 and RMB249,000, respectively.

We incurred expenses in relation to remuneration (including salaries, allowances, benefits in kinds, pension schemes contributions and social welfare) for our Group's five highest paid individuals (including our Directors) in aggregate for the three years ended December 31, 2016, 2017 and 2018 and four months ended April 30, 2019 of approximately RMB446,000, RMB507,000, RMB409,000 and RMB45,000, respectively.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

Save as Mr. Li and Ms. Shen Lifeng, none of our Directors had waived or agreed to waive any remuneration during the Track Record Period.

Pursuant to the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (including benefits in kind but excluding discretionary bonuses) payable to our Directors by our Group for the year ending December 31, 2019 is estimated to be approximately RMB1,636,000 in aggregate.

To incentivize our Directors, senior management and employees, our Company has adopted the Share Option Scheme on October 21, 2019. Please see "Appendix V — Statutory and General Information — D. Other Information — 1. Share Option Scheme" for further details.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management and will, following the Listing, receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors and performance of our Group.

Save as disclosed above and in the section headed "Appendix V — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Directors — (c) Directors' remuneration", no other payments had been made, or were payable, by any member of our Group to our Directors during the Track Record Period.

For additional information on our Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please refer to Notes 8 and 9 in the Accountants' Report set out in Appendix I to this prospectus.

CORPORATE GOVERNANCE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, we will comply with the Corporate Governance Code after the Listing.

Pursuant to code provision A.2.1 of the Corporate Governance Code, the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, we do not have a separate chairman and chief executive officer and Mr. Li currently performs these two roles. Our Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. Our Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable our Company to make and implement decisions promptly and effectively. Our Board will continue to review and consider splitting the roles of chairman of our Board and chief executive officer of our Company at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

COMPLIANCE ADVISOR

Our Company has appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

(a) before the publication of any regulatory announcement, circular or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(c) where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes an inquiry of our Company under or Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date.

We have entered into certain transactions with our connected person, the details of which are set out below. The transactions disclosed in this section will constitute our continuing connected transactions under Chapter 14A of the Listing Rules upon Listing.

CONNECTED PERSONS

Zhuozhou Tianbao Construction is a company established in China with limited liability and principally engaged in provision of construction materials. As of the Latest Practicable Date, Zhuozhou Tianbao Construction was owned as to 70% by Mr. Li and 30% by Baoxin Industrial. Therefore, Zhuozhou Tianbao Construction is an associate of Mr. Li (being our Controlling Shareholder, chairman of our Board, chief executive officer and executive Director) and thus is a connected person of our Company by virtue of Rule 14A.07(4) of the Listing Rules.

Zhuozhou Tianbao Property Management and Zhangbei County Tianbao Property Management are companies established in China with limited liability and principally engaged in provision of property management service. As of the Latest Practicable Date, Zhuozhou Tianbao Property Management and Zhangbei County Tianbao Property Management are wholly owned by Baoxin Industrial. As of the Latest Practicable Date, Baoxin Industrial was owned as to 80% by Ms. Zhou, the spouse of Mr. Li and 20% by Mr. Li Yaruixin (李亞睿鑫先生), the son of Mr. Li. Therefore, Zhuozhou Tianbao Property Management and Zhangbei County Tianbao Property Management are associates of Mr. Li and thus are connected persons of our Company by virtue of Rule 14A.07(4) of the Listing Rules.

Zhuozhou Longhuixin Decoration is a company established in China with limited liability and engaged in manufacturing and installation of plastic steel windows and doors. As of the Latest Practicable Date, Zhuozhou Longhuixin Decoration was owned as to 10% by Ms. Wang Huijie (王慧杰女士), our executive Director and 90% by Mr. Li Jun (李軍先生), her spouse. Therefore, Zhuozhou Longhuixin Decoration is an associate of Ms. Wang Huijie (being our executive Director) and thus is a connected person of our Company by virtue of Rule 14A.07(4) of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Management Services Framework Agreement

Management Services Framework Agreement

On April 22, 2019, our Company entered into a property management services framework agreement with Zhuozhou Tianbao Property Management and Zhangbei County Tianbao Property Management (the "**Management Services Framework Agreement**"), pursuant to which Zhuozhou Tianbao Property Management and Zhangbei County Tianbao Property Management agreed to provide to our Group property management services, including but not limited to property management services for unsold properties, car parking lots and the properties owned by us; on-site security, cleaning, greening, as well as customer services to property sales offices; and cleaning and house inspection services to the property projects developed by us upon completion of construction and before delivery of the same to end buyers.

The maximum annual amount payable by us to Zhuozhou Tianbao Property Management and Zhangbei County Tianbao Property Management for the year ending December 31, 2019 in relation to the property management service expects to be RMB2,369,000 (equivalent to approximately HK$2,628,168.60).

Listing Rules Implications

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual cap is expected to be less than 5% on an annual basis and the annual cap is less than HK$3,000,000, the transactions under the Management Services Master Agreement are within the de minimis threshold stipulated in Rule 14A.76(1)(c) of the Listing Rules and will be exempted from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Plant Lease Agreement

Plant Lease Agreement

On January 1, 2019, Tianbao Property Development entered into a plant lease agreement with Zhuozhou Tianbao Construction (the "**Plant Lease Agreement**"), pursuant to which Tianbao Property Development (as the landlord) agreed to lease the Zhuozhou CL base plant located at the north side of Guanyuan road and the east side of Chuangxin road with an area of 6,024.62 sq.m. (the "**Zhuozhou CL Base Plant**") to Zhuozhou Tianbao Construction (as the tenant) for a term of three years commencing from January 1, 2019 and expiring on December 31, 2021 at a yearly rental of RMB1,099,493 (equivalent to approximately HK$1,219,777.53) (tax exclusive), which is payable semi-annually. The annual rent payable by Zhuozhou Tianbao Construction was calculated on the rental price of RMB0.5 sq.m. per day and was determined after an arm's length negotiation between the parties to the Plant Lease Agreement with reference to the rental price of the neighboring building leased to an independent tenant. Zhuozhou Tianbao Construction used the Zhuozhou CL Base Plant for the manufacturing and sales of new type building system materials and the development, promotion, consultancy and transfer of new technology. Zhuozhou Tianbao Construction has no rights to assign or sublease any or all part of the Zhuozhou CL Base Plant. Either the landlord or the tenant may early terminate the Plant Lease Agreement by serving a three-months' notice.

3. Parking Space Lease Agreement

Parking Space Lease Agreement

On January 1, 2019, Tianbao Property Development entered into a parking space lease agreement with Zhuozhou Tianbao Property Management (the "**Parking Space Lease Agreement**"), pursuant to which Tianbao Property Development (as the landlord) agreed to lease the parking space located at Tianbao Lijing Residence and Qinghua Mansion Residence (the "**Tianbao Parking Space**") to Zhuozhou Tianbao Property Management (as the tenant) for a term of three years commencing from January 1, 2019 and expiring on December 31, 2021 at a yearly rental of RMB500,000 (equivalent to approximately HK$554,700) (tax exclusive), which is payable semi-annually. The annual rent payable to Zhuozhou Tianbao Property Management was determined after an arm's length negotiation between the parties to the Parking Space Lease

Agreement with reference to the rental price of the neighboring building leased to an independent tenant. Zhuozhou Tianbao Property Management may sub-lease the Tianbao Parking Space to any Independent Third Party so long as the sub-tenant uses the Tianbao Parking Space as originally planned. Either the landlord or the tenant may early terminate the Parking Space Lease Agreement by serving a three-months' notice.

Listing Rules Implications

As the Plant Lease Agreement and the Parking Lease Agreement were all entered into with associates of Mr. Li within a 12-month period and the transactions contemplated under the Plant Lease Agreement and the Parking Space Lease Agreement are of the same nature, the annual rent under the Plant Lease Agreement and the Parking Space Lease Agreement are aggregated when calculating the applicable percentage ratios pursuant to Rule 14A.81 of the Listing Rules. Based on the current aggregated annual rent payable to us, each of the applicable percentage ratios under the Listing Rules is expected to be less than 5% on an annual basis and the annual cap is less than HK$3,000,000. Therefore, the transactions under the Plant Lease Agreement and the Parking Space Lease Agreement are within the de minimis threshold stipulated in Rule 14A.76(1)(c) of the Listing Rules and will be exempted from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

4. Contractor Framework Agreement

Contractor Framework Agreement

On April 22, 2019, our Company entered into a contractor framework agreement (the "**Contractor Framework Agreement**") with Zhuozhou Longhuixin Decoration, pursuant to which our Group agreed to engage Zhuozhou Longhuixin Decoration as construction sub-contractor on manufacturing and installation of plastic steel windows and doors, to our Group according to each separate agreement in respect of each transaction to be entered into between each relevant member of our Group and Zhuozhou Longhuixin Decoration.

The maximum annual amount payable by us to Zhuozhou Longhuixin Decoration for the year ending December 31, 2019 in relation to the manufacturing and installation of plastic steel windows and doors expects to be RMB967,009 (equivalent to approximately HK$1,072,799.78).

Listing Rules Implications

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual cap is expected to be less than 0.1% on an annual basis, the transactions under the Contractor Framework Agreement are within the de minimis threshold stipulated in Rule 14A.76(1)(a) of the Listing Rules and will be exempted from the reporting, annual review, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Construction Materials Framework Purchase Agreement

Historical Transactions

We have historically, from time to time during our ordinary and usual course of business, purchased construction materials, such as grid plates and steel welding plates, from Zhuozhou Tianbao Construction. For the three years ended December 31, 2016, 2017 and 2018 and four months ended April 30, 2019, the total amounts incurred by us in relation to the purchase of the construction materials from Zhuozhou Tianbao Construction were approximately RMB1,545,000.00, RMB8,200,000.00, RMB3,000,000.00 and RMB1,800,000.00, respectively.

Construction Materials Framework Purchase Agreement

On April 22, 2019, our Company entered into a framework purchase agreement (the "**Construction Materials Framework Purchase Agreement**") with Zhuozhou Tianbao Construction, pursuant to which Zhuozhou Tianbao Construction agreed to provide construction materials, such as grid plates and steel welding plates, to our Group according to the separate agreements in respect of the transactions to be entered into between the relevant member of our Group and Zhuozhou Tianbao Construction from time to time.

Annual Cap

The maximum annual amount payable by us to Zhuozhou Tianbao Construction for the year ending December 31, 2019 in relation to the purchase of construction materials shall not exceed RMB5,750,000 (equivalent to approximately HK$6,379,050). The proposed annual cap for the year ending December 31, 2019 is determined with reference to (i) the estimated consideration of RMB5,000,000 payable by Tianbao Construction Group for the construction materials under an existing CL grid plates purchase agreement entered into between Tianbao Construction Group and Zhuozhou Tianbao Construction on September 1, 2018, pursuant to which Tianbao Construction Group agreed to purchase CL grid plates and steel welding plates from Zhuozhou Tianbao Construction at a total consideration calculated based on the fixed unit price of each type of grid plates and steel welding plates being multiplied by the total number of grid plates and steel welding plates to be purchased by Tianbao Construction Group; and (ii) an additional amount of RMB750,000, representing 15% increase in the annual cap for the year ending December 31, 2019 to cope with an unexpected increase in demand for construction materials.

Pricing Basis

We will enter into a separate agreement with Zhuozhou Tianbao Construction in respect of our specific needs of construction materials. The amount payable by us under each separate agreement should be determined after arm's length negotiations with respect to our specific needs of products, including the amount, type, cost, quality and reliability of the products, with reference to the prevailing market prices and based on the pricing quoted by at least two other contemporaneous transactions with Independent Third Parties for products in similar quantities to determine if the price and terms offered by Zhuozhou Tianbao Construction are fair and reasonable and comparable to those offered by Independent Third Parties. The prices quoted by Zhuozhou Tianbao Construction shall be no less favourable to us than terms it quotes to Independent Third Parties for the same products.

Reasons for the Transactions

We have engaged Zhuozhou Tianbao Construction for the provision of construction materials primarily because (i) Zhuozhou Tianbao Construction has the production capacity in the regions where our Group operates to meet our potential increase in demand for construction materials in the event that we plan to expand our operations; (ii) we have established a stable relationship with Zhuozhou Tianbao Construction since 2016, which we consider has been providing us with a steady and reliable supply of high quality products and services in accordance with our specifications from time to time; and (iii) our Directors are of the view that the prices and terms to be offered by Zhuozhou Tianbao Construction to us under the Construction Materials Framework Purchase Agreement are in the ordinary and usual course of our business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Listing Rules Implications

Since the highest applicable percentage ratio under the Listing Rules in respect of the annual cap is expected to be more than 0.1% but less than 5%, the transactions under the Construction Materials Framework Purchase Agreement shall be subject to the reporting, annual review and announcement requirements but exempt from circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Confirmation from our Directors

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions as set out above have been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole, and the proposed annual cap in respect of such transactions is fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Confirmation from Joint Sponsors

Based on the documentation and data provided by our Company and participation in due diligence and discussions with us, the Joint Sponsors are of the view that the continuing connected transactions under the Construction Materials Framework Purchase Agreement have been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole, and the proposed annual cap in respect of such transactions is fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Waiver from Strict Compliance with Listing Rules

We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement in respect of the partially-exempt continuing connected transactions set out above, subject to the condition that the value of the continuing connected transactions for the financial year ending December 31, 2019 shall not exceed the relevant annual cap amount. We will comply with the applicable requirements specified under Chapter 14A of the Listing Rules.

INTERNAL CONTROL MEASURES

To safeguard the interests of our Company and the Shareholders as a whole, we have put in place internal approval and monitoring procedures relating to our continuing connected transactions, which include the following:

- we will offer the same pricing terms to all material suppliers, service providers or tenants and no preferential terms shall be provided to the material suppliers, service providers or tenants who are our connected persons; and

- we have formulated and will implement upon Listing the internal guidelines according to the Listing Rules, which provide approval procedures for connected transactions, including mechanism to avoid conflict of interest.

Our independent non-executive Directors and auditors will conduct an annual review of our continuing connected transactions and provide annual confirmations in accordance with the Listing Rules that the terms of the relevant agreements are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of our Group, the relevant agreements are in the interests of our Company and the Shareholders as a whole.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately prior to and following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme):

Authorized Share Capital:

	HK$
2,000,000,000 Shares of par value HK0.01 each	20,000,000

Shares in issue and to be issued, fully paid or credited as fully paid:

1,000	Shares in issue as of the Latest Practicable Date	10
599,999,000	Shares to be issued pursuant to the Capitalization Issue	5,999,990
200,000,000	Shares to be issued pursuant to the Global Offering	2,000,000
800,000,000	**Total**	**8,000,000**

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional, the Capitalization Issue are made but does not take into account any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors. If the Over-allotment Option is exercised in full, then 30,000,000 additional Shares will be issued resulting in an enlarged issued share capital of 230,000,000 Shares of HK$0.01 each in our Company.

RANKING

The Offer Shares and the Shares which may be issued pursuant to the exercise of the Over-allotment Option shall rank *pari passu* with all existing Shares in issue on the date of the allotment and issue of such Shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus except for any entitlement to the Capitalization Issue.

CAPITALIZATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on October 21, 2019, subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares pursuant to the Global Offering, the Directors were authorized to allot and issue a total of 599,999,000 Shares, credited as fully paid at par, to the holder(s) of Shares on the register of members or the principal share register of our Company at the close of business on October 21, 2019 as nearly as possible in proportion to their then existing shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of Share) by way of capitalization of the sum of HK$5,999,990 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme. For the principal terms of the Share Option Scheme, please see "Appendix V — Statutory and General Information — D. Other Information — 1. Share Option Scheme."

GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, general mandates have been granted to our Directors to allot and issue Shares and to repurchase Shares. For details of such general mandates, see "Appendix V — Statutory and General Information — A. Further Information about Our Company and Our Subsidiaries" to this prospectus.

So far as our Directors are aware, immediately following completion of the Capitalization Issue and the Global Offering, the following persons will have or be deemed or taken to have an interest and/or a short position in Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		Shares held immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is not exercised)		Shares held immediately following the completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option is fully exercised)	
Name	**Nature of interest**[(1)]	*Number*	*Percentage*[(2)]	*Number*	*Percentage*
Mr. Li[(3)]	Interest in controlled corporation	594,000,000	74.25%	594,000,000	71.57%
Jixiang International Industrial	Beneficial owner	594,000,000	74.25%	594,000,000	71.57%
Ms. Zhou	Interest of spouse[(4)]	594,000,000	74.25%	594,000,000	71.57%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 800,000,000 Shares in issue immediately following completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised).

(3) Mr. Li holds the entire interests in Jixiang International Industrial. Under the SFO, Mr. Li is deemed to be interested in the Shares held by Jixiang International Industrial.

(4) Ms. Zhou, the spouse of Mr. Li, is deemed to be interested in all the Shares in which Mr. Li is interested.

Save as disclosed above and in "Appendix V — Statutory and General Information — C. Further Information about our Directors and Substantial Shareholders — 2. Substantial Shareholders" in Appendix V to this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have an interest or a short position in the Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group.

We are not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial information as of and for the years ended 2016, 2017 and 2018 together with the notes thereto, as set forth in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material respects from generally accepted accounting principles in other jurisdictions.

Our historical results do not necessarily indicate results expected for the future. The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those described in the sections entitled "Risk Factors" and "Business."

OVERVIEW

We are a property developer and construction company based in Zhuozhou, a city in Hebei Province, China. We engage in a wide range of property development activities, such as planning and design, construction, and property sales, investment and operations.

We have two business segments, including (i) property development business; and (ii) construction contracting business.

As of August 31, 2019, we had a diverse portfolio of 20 property development projects consisting of 18 residential properties, an investment property and a hotel. Seven projects are located in Zhuozhou and 13 projects are located in Zhangjiakou. As of August 31, 2019, we had land reserves with a total GFA of 1,989,288.9 sq.m., including (i) completed properties with a total unsold saleable GFA of 41,671.1 sq.m. and a rentable GFA held for property investment of 44,336.1 sq.m., accounting for 4.3% of our total land reserves, (ii) properties under development with a total planned GFA of 961,507.2 sq.m., accounting for 48.4% of our total land reserves and (iii) properties held for future development with a total planned GFA of 941,774.5 sq.m., accounting for 47.4% of our total land reserves.

We generate our revenue principally from the sales of properties we developed and the construction contracting business. In addition, we also generate rental income from our investment property. Our total revenue decreased by 17.6% from RMB660.5 million in the four months ended April 30, 2018 to RMB544.4 million in the same period in 2019. Our total revenue increased from RMB800.2 million in 2016 to RMB1,601.7 million in 2018, representing a CAGR of 41.5% from 2016 to 2018. Our net profit decreased by 28.3% from RMB74.5 million in the four months ended April 30, 2018 to RMB53.4 million in the same period in 2019. Our net profit increased from RMB37.2 million in 2016 to RMB108.2 million in 2018, representing a CAGR of 70.5% from 2016 to 2018.

BASIS OF PRESENTATION

Our Company and its subsidiaries now comprising our Group underwent the reorganization which was completed on April 16, 2019 as set out in the paragraph headed "Reorganization" in the section headed "Our History, Reorganization and Corporate Structure" in the prospectus. The companies now comprising our Group were under the common control of our Controlling Shareholders before and after the reorganization. Accordingly, our historical financial information as of and for the years ended 2016, 2017, 2018 and the four months ended April 30, 2019 together with the notes thereto, as set forth in Appendix I to this prospectus has been prepared on a consolidated basis by applying the principles of merger accounting as if the reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. Our consolidated statements of financial position as of December 31, 2016, 2017, 2018 and April 30, 2019 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values or recognize any new assets or liabilities as a result of the reorganization.

Equity interests in subsidiaries held by parties other than the Controlling Shareholders, and changes therein, prior to the reorganization are presented as non-controlling interests in equity in applying the principles of merger accounting.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on consolidation in full.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

The following are the key factors that have affected and, we expect, will continue to affect our business, financial condition, results of operations and prospects:

General Economic Conditions and Government Policies Related to the PRC Property Development and Construction Industries

The PRC property development and construction industries are to a large extent affected by the conditions of the PRC economy. General economic conditions in China have affected and may continue to affect our business and results of operations. Our revenue directly correlates with the level of property development and construction activities in China, particularly in the Beijing-Tianjin-Hebei Region, where all of our property development projects and a substantial number of our construction projects were located during the Track Record Period. Changes in national or local policies related to the PRC property development and construction industries may affect the level of activities in these industries, as well as the supply of land for property development, pre-sale of property, land usage, project financing, taxation, local government budgets and regulation of private sector participation in the infrastructure industry.

Cost Fluctuations in Land Acquisition and Construction Projects

Our success and continuing growth will largely depend on our ability to acquire quality land at prices that can generate reasonable returns. As the Chinese economy continues to grow, competition among property developers for land is likely to continue to intensify. According to Frost & Sullivan, in recent years, land premiums have increased notably in major cities in China and in particular, Zhuozhou and Zhangjiakou. Historically, we mainly acquired state-owned land use rights through public tender, auction and listing-for-sale. However, there can be no assurance that we will be able to continue to source land with favorable prices given the increasing competition for land for development. If our land acquisition costs significantly increased, we may incur substantial additional financing costs. If we cannot sell our properties at increased prices sufficient to offset increases in costs, our profitability will be adversely affected. The land cost is our second largest component of cost of sales of property development business. In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, the land cost accounted for 20.8%, 34.8%, 19.6%, 20.1% and 22.6% of our cost of sales of property development business.

Costs incurred for construction contracting business have also increased in recent years mainly due to increases in labor costs and costs of raw materials, the major components of our construction project costs. In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, labor costs accounted for 29.0%, 27.6%, 30.5%, 29.1% and 30.3% of our cost of sales for construction contracting business, respectively, and raw material costs accounted for 61.6%, 61.8%, 59.3%, 61.7% and 60.6% of our cost of sales for construction contracting business, respectively. According to Frost & Sullivan, labor costs rose steadily in China during the Track Record Period. In recent years, there is an increase in the average annual wage in the construction industry in China. Further, prices of our principal raw materials fluctuated regularly in China in recent years as a result of changing demand and supply dynamics.

We price our construction projects based on a cost estimate, and under the terms of certain of our contracts, the prices we submit in our bid or negotiate in our contracts are fixed. Our cost estimate is based primarily on the availability and costs of raw materials and equipment, subcontracting costs, project schedule, labor costs, the geographical location and environmental conditions of the project site, as well as the complexity and scale of the construction project, among other factors. If we are unable to accurately estimate our costs when bidding or negotiating our contracts, our profitability may be adversely affected. In addition, the actual costs are likely to fluctuate during the course of implementation of the construction project. While most of our contracts build in price adjustment clauses, we may not be able to pass the full amount of any cost increase to our customers.

Timing of Property Development

The development of our property projects may take many months before the commencement of pre-sales or completion and delivery. We do not recognize revenue until properties have been sold, completed and delivered to our customers. Due to fluctuations in market demand, the revenue that we recognize in a particular period may also be affected by market conditions at the time a particular property project is pre-sold or sold. Moreover, delays in construction, regulatory approval or other processes may adversely affect the timetable of our projects and, therefore, our recognition of revenue from our projects.

Pre-Sales of Properties

Pre-sales of properties constitute one of the most important sources of our operating cash flows during our project development process. PRC laws allow us to pre-sell properties prior to their completion upon satisfaction of certain pre-conditions but the use of pre-sales proceeds may be subject to certain limitations. See "Business — Our Business Operations — Property Development Business — Property Development and Sales Process — Sales and Marketing." The amount and timing of cash inflows from pre-sales are affected by a number of factors, including the development schedules of our projects, restrictions on pre-sales imposed by the PRC government, the availability and affordability of mortgage financing for our purchasers, market demand for our properties and the number of our properties available for pre-sale. In addition, any reduction in cash flows from the pre-sales of our properties will likely increase our reliance on external financing, which may increase our costs and may impact our ability to finance our continuing property development.

Availability and Cost of Financing

Financing is an important source of funding for property development. During the Track Record Period, we financed our operations primarily through internally generated cash flow including proceeds from the pre-sale of our properties, provision of property leasing services as well as borrowings from commercial banks. The monetary regulations imposed by the PRC government from time to time may affect our access to capital and cost of financing. We are also highly susceptible to any regulations or measures adopted by the PBOC that restrict bank lending, especially those that restrict the ability of property developers to obtain bank financing. As commercial banks in China link the interest rates on their loans to benchmark lending rates published by the PBOC, we expect that any increase in the benchmark lending rates will increase our borrowing costs. As of December 31, 2016, 2017, 2018 and April 30, 2019, our total outstanding borrowings amounted to RMB90.0 million, RMB220.0 million, RMB914.0 million and RMB814.0 million, respectively. The weighted average effective interest rates on our total borrowings as of December 31, 2016, 2017, 2018 and April 30, 2019 were 4.75%, 4.75%, 6.15% and 6.28%, respectively. In addition, a significant portion of our finance costs are capitalized at the time it is incurred to the extent such costs are directly attributable to the land acquisition and project construction. An increase in our finance costs will negatively affect our profitability and results of operations and the availability of financing will affect our ability to engage in our project development activities, which will adversely affect our results of operations.

LAT

Our property development is subject to LAT in respect of the appreciated value of the related land and improvements on such land. LAT is levied on properties sold at progressive rates ranging from 30.0% to 60.0% on the appreciation of land value. We have accrued all LAT payable on our property sales and transfers in compliance with the relevant LAT laws and regulations. During the Track Record Period, we recorded LAT expenses of RMB2.6 million, RMB15.5 million, RMB15.2 million, RMB12.5 million and RMB16.8 million respectively. LAT liabilities are subject to determination by the tax authorities upon the completion of the property development projects and may be different from the amounts that were initially recorded. Any such differences may impact our profits after tax in the periods in which such taxes are finalized with the relevant tax authorities. For further information on PRC regulations relating to LAT, see "Regulatory Overview — Taxes — Land Appreciation Tax."

Fair Value of Our Investment Properties

Changes in the fair value of our investment properties have had, and are expected to continue to have, a substantial effect on our results of operations. Investment properties are initially measured at their fair values based on valuations performed by our independent property valuer, and subsequent gains or losses arising from changes in these fair values are recorded as fair value gains or losses on investment properties. The property valuer has used methods of valuation which involve, inter alia, certain estimates including current market transaction prices for comparable properties, appropriate yield rates and expected current market rents. Favorable or unfavorable changes to the assumptions would result in changes in the estimated fair value of our investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statements of comprehensive income. For the years ended December 31, 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, our fair value gains on investment properties was RMB28.7 million, RMB2.6 million, RMB19.4 million, RMB7.0 million and RMB3.7 million, respectively. The amounts of valuation adjustments are likely to continue to be significant as a result of market fluctuations and have a significant impact on our results of operations. See "Risk Factors — Risks Relating to Our Industries and Business — Risks Relating to Our Property Development Business — The fair value of our investment properties is likely to fluctuate from time to time and may decrease significantly in the future, which may materially and adversely affect our profitability."

The following table demonstrates the sensitivity of the fair value of completed investment properties during the Track Record Period to hypothetical changes in rental and capitalization rate:

Hypothetical changes in the input	Fair value of completed investment properties							
	Year ended December 31,						Four months ended April 30,	
	2016		2017		2018		2019	
	(RMB'000, except for percentages)							
Rental								
+5%	119,700	+4.63%	122,000	+4.27%	142,700	+4.62%	146,700	+4.71%
0%	114,400	0.00%	117,000	0.00%	136,400	0.00%	140,100	0.00%
–5%	109,000	-4.72%	112,000	-4.27%	130,000	-4.69%	133,500	-4.71%
Capitalization rate								
+5%	110,400	-3.50%	113,000	-3.42%	131,800	-3.37%	132,400	-5.50%
0%	114,400	0.00%	117,000	0.00%	136,400	0.00%	140,100	0.00%
-5%	118,400	+3.50%	121,000	+3.42%	141,200	+3.52%	148,600	+6.07%

Timing of Collection on our Construction Projects and Retention Amounts

During the Track Record Period, a substantial amount of our revenue was derived from our construction contracting business. In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, our revenue generated from the construction contracting business was RMB722.7 million, RMB928.2 million, RMB1,201.5 million, RMB271.5 million and RMB269.9 million, respectively, representing 90.3%, 77.2%, 75.0%, 41.1% and 49.6% of our total revenue, respectively. In general, we receive progress payments upon achievement of key milestones as set forth in our construction contracting contracts, or on a monthly basis, in which case approximately 10.0% is withheld by our customers until their acceptance of the construction project. As our construction projects usually take one year to three years to complete, the number of contracts and progress of each contract we undertake in any period may affect our results of operations and lead to fluctuations in revenue recognized from period to period. Further, our customers generally retain a retention fee, which normally would be approximately 5.0% of the settlement amount of the entire project after deducting provisional sums and day-labor costs, calculated upon completion and acceptance of the construction projects payable to us.

The retention fee will generally be returned to us in installments during the defects liability period or in full at the end of such period. The length of the defects liability period typically ranges from six months to two years, depending on the type of construction contracting service we provide.

Seasonality

We experience seasonality in our construction contracting business. We typically record higher revenue in the second half of a year relative to revenue from the first half. This seasonality is largely due to decreased construction activities in the northern regions of the PRC in winter and to the effect of the Lunar Chinese New Year, during which some of our projects are halted for the holiday. Therefore, potential investors should be aware that our interim results of operations are not necessarily indicative of our annual results of operations.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

Our principal accounting policies and estimates are set forth in notes 2.4 and 3 of the Accountants' Report set out in this prospectus as Appendix I. IFRSs require that we adopt accounting policies and make estimates that our Directors believe are most appropriate under the circumstances for the purpose of giving a true and fair view of our results and financial position. Critical accounting policies, judgments and estimates are those that require management to exercise judgments, estimates and assumptions that affect the application of policies, reported amounts of revenues, expenses, assets and liabilities, their accompanying disclosures and the disclosure of contingent liabilities. We believe the most complex and sensitive judgments, because of their significance to our financial information, result primarily from the need to make estimates about the effects of matters that are inherently uncertain. Actual results in these areas may differ from our estimates.

We have identified below the accounting policies and estimates that we believe are the most critical to our financial information and that involve the most significant estimates and judgments. Our Directors confirm that the relevant estimates or underlying assumptions made in the past have been generally in line with actual results during the Track Record Period and that we have consistently applied these estimates or underlying assumptions during the Track Record Period. Our Directors further confirm that these estimates or underlying assumptions are unlikely to change in the future.

Revenue Recognition

Revenue from contracts with customers

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Construction contracting

Revenue from the provision of construction services is recognized over time, using an input method to measure progress towards complete satisfaction of the service, because our performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognizes revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that we seek to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. We use the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which we will be entitled.

(b) Properties development and sales

Revenue from the sale of properties is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the properties.

(c) Provision of management services

Revenue from the provision of management services is recognized over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by us.

Revenue from rental income

Rental income is recognized on a time proportion basis over the lease terms.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

Properties under Development

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

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

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

Completed Properties Held for Sale

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

Investment Properties

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

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

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

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property we occupied as an owner-occupied property becomes an investment property, we accounts for such property in accordance with IAS 16 *Property, Plant and Equipment* up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation and carried in the asset revaluation reserve in equity. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognized in the statements of profit or loss.

Financial liabilities (under IAS 39 and IFRS 9)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Our financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank borrowings.

Subsequent measurement

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

(i) Loans and borrowings

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

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

(ii) Financial guarantee contracts (policies under IFRS 9 applicable from January 1, 2018)

Financial guarantee contracts issued by our Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, our Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy in relation to financial assets (under IFRS 9 applicable from 1 January 2018); and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

(iii) Financial guarantee contracts (policies under IAS 39 applicable before January 1, 2018)

Financial guarantee contracts issued by our Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognized initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, our Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognized less, when appropriate, cumulative amortization.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the year in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year during the Track Record Period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each year during the Track Record Period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except (i) where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (ii) in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except (i) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (ii) in respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each year during the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each year during the Track Record Period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each year during the Track Record Period.

Deferred tax assets and deferred tax liabilities are offset if and only if we have a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Estimate of Fair Value of Investment Properties

Investment properties carried at fair value were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, we consider information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each year during the Track Record Period.

The principal assumptions for our estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalization rates and expected profit margin. The carrying amounts of investment properties as of December 31, 2016, 2017, 2018 and April 30, 2019 were RMB114.4 million, RMB117.0 million, RMB136.4 million and RMB140.1 million, respectively.

Application of IFRS 9, IFRS 15 and IFRS 16

IFRS 9

We have applied IFRS 9, which became effective for annual periods beginning on or after January 1, 2018. A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as of January 1, 2018 has been disclosed in Notes 2.2 to the Accountants' Report set out in Appendix I to this prospectus. The adoption of IFRS 9 as of January 1, 2018 resulted in the original available-for-sale investments under IAS 39 reclassified to equity investments designated at fair value through other comprehensive income as of January 1, 2018 and the equity instruments revaluation reserve as of January 1, 2018 was increased by RMB4,745,000 accordingly. Our Directors consider that the adoption of IFRS 9 does not have material impact on our results of operation and financial position during the Track Record Period.

IFRS 15

Our Company early adopted IFRS 15 in the preparation of the historical financial information during the Track Record Period. The adoption of IFRS 15 does not have significant impact on our Group's historical financial information, when compared with IAS 18.

IFRS 16

Our Company early adopted IFRS16 in the preparation of the historical financial information during the Track Record Period and elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less ("**short-term leases**") and do not contain a purchase option, and lease contracts for which the underlying asset is of low value ("**low-value assets**"). As of December 31, 2016, 2017 and 2018, and April 30, 2019, the lease contracts entered by our Group mainly belonged to short-term leases and no right-of-use assets and lease liabilities were recognized, the adoption of IFRS 16 did not have significant impact on our Group's consolidated financial statements.

RESULTS OF OPERATIONS

The following table sets forth a summary our consolidated statements of profit or loss for the periods indicated:

	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
CONTINUING OPERATIONS					
Revenue	800,192	1,202,278	1,601,739	660,534	544,426
Cost of sales	(737,351)	(1,008,691)	(1,411,815)	(524,471)	(420,722)
Gross Profit	62,841	193,587	189,924	136,063	123,704
Other income and gains	9,343	4,796	16,920	1,262	2,458
Selling and distribution expenses	(4,354)	(7,586)	(5,629)	(1,980)	(2,668)
Administrative expenses	(23,205)	(28,222)	(42,522)	(10,262)	(15,859)
(Impairment losses)/reversal of impairment losses on financial and contract assets, net	(729)	(26,781)	10,625	(5,798)	(10,298)
Fair value gains on investment properties	28,743	2,600	19,400	7,000	3,700
Other expenses	(229)	(3,015)	(1,998)	(1,527)	(457)
Finance costs	(6,129)	(4,484)	(5,050)	(1,437)	(6,875)
Share of loss of an associate	—	(15)	—	—	—
Profit before tax from Continuing operations	66,281	130,880	181,670	123,321	93,705
Income tax expense	(28,314)	(70,649)	(72,036)	(47,998)	(40,246)
Profit for the year/period from continuing operations	37,967	60,231	109,634	75,323	53,459
DISCONTINUED OPERATIONS					
Loss for the year/period from discontinued operations	(787)	(893)	(1,427)	(775)	(62)
Profit for the year/period	37,180	59,338	108,207	74,548	53,397
Attributable to:					
Owners of the parent	37,133	59,460	108,207	74,548	53,397
Non-controlling interests	47	(122)	—	—	—
	37,180	59,338	108,207	74,548	53,397

DISCONTINUED OPERATIONS

As part of our Reorganization in preparation for the Listing, in 2018, we decided to dispose of the entire interests in subsidiaries engaged in non-core businesses, including design, property management services and others, because we plan to delineate other businesses we operate from its principal business. See "Our History, Reorganization and Corporate Structure — Major Historical Disposals."

Results of our discontinued operations were recorded as a separate line item titled "loss for the year from discontinued operations" in the consolidated statements of profit or loss. Assets and liabilities attributable to the discontinued operations were classified as a disposal group held for sale, and they are presented separately in our consolidated statements of financial position as of April 30, 2019. Please refer to Note 11 in the Accountants' Report set out in Appendix I to this prospectus.

DESCRIPTION OF SELECTED COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

Revenue

We derive our revenue primarily from our two business segments: (i) property development business and (ii) construction contracting business. Our revenue represents total segment revenue adjusted by intersegment eliminations. The following table sets forth our revenue by business segment and the percentage of total revenue for the periods indicated:

	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	%
Segment										
Property development business	77,458	9.7	274,103	22.8	400,259	25.0	389,046	58.9	274,487	50.4
Construction contracting business	722,734	90.3	928,175	77.2	1,201,480	75.0	271,488	41.1	269,939	49.6
Total	**800,192**	**100.0**	**1,202,278**	**100.0**	**1,601,739**	**100.0**	**660,534**	**100.0**	**544,426**	**100.0**

In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, our revenue generated from construction contracting business was RMB722.7 million, RMB928.2 million, RMB1,201.5 million, RMB271.5 million and RMB269.9 million, respectively, representing approximately 90.3%, 77.2%, 75.0%, 41.1% and 49.6% of our total revenue, respectively. Although we generate most of our revenue from our construction contracting business in 2016, 2017 and 2018, we consider ourselves as a property developer and construction company because we generate a majority of our net profit during the Track Record Period from property development business, and our strategy is to further expand our property development business with the support of our construction contracting business. See "Business — Our Business Operations — Property Development Business — Our Project Portfolio" for the details of our property projects under development and property projects held for future development.

Property development business

Our revenue from property development business comprises sales of properties and rental income. The following table sets forth a breakdown of our revenue from property development business by nature for the periods indicated:

	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	%
Sales of properties	75,811	97.9	268,933	98.1	391,709	97.9	387,727	99.7	270,507	98.6
Rental income	1,647	2.1	5,170	1.9	8,550	2.1	1,319	0.3	3,980	1.4
Total	**77,458**	**100.0**	**274,103**	**100.0**	**400,259**	**100.0**	**389,046**	**100.0**	**274,487**	**100.0**

Our property development business generates revenue primarily from property development and sales as well as lease of our investment properties. In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, revenue from this segment accounted for 9.7%, 22.8%, 25.0%, 58.9% and 50.4% of our revenue, respectively. Revenue from property development sales is recognized only after properties have been sold to purchasers and after satisfying the requirements for delivery as stipulated in the purchase agreements. Consistent with industry practice, we typically enter into purchase agreements with purchasers while the properties are still under development but after satisfying the conditions for pre-sales in accordance with PRC laws and regulations. See "Business — Our Business Operations — Property Development Business — Property Development and Sales Process." Before the criteria for the recognition of sales of properties are met, payments received from purchasers are recorded as "contract liabilities" under "other payables and accruals" in our consolidated financial statements.

There is a time difference between the pre-sales of properties in projects under development and the completion of construction. Because the timing of completion of our properties varies according to the construction timetable, our results of operations may vary significantly from period to period depending on the GFA sold or pre-sold, and the timing between pre-sales and completion and delivery of the properties to purchasers. Periods in which we pre-sell a large amount of aggregate GFA may not be periods in which we generate a correspondingly high level of revenue if the properties pre-sold are not completed and delivered within the same period. As a result, our revenue from property development sales may fluctuate due to factors such as the schedule of our property development and the timing of property sales and delivery.

The following table sets forth a breakdown of our revenue recognized from sales of properties, the aggregate GFA delivered, and the recognized ASP per sq.m. by property project for the periods indicated:

	Year ended December 31,									Four months ended April 30,					
	2016			2017			2018			2018			2019		
	GFA Delivered	Revenue	Recognized ASP	GFA Delivered	Revenue	Recognized ASP	GFA Delivered	Revenue	Recognized ASP	GFA Delivered	Revenue	Recognized ASP	GFA Delivered	Revenue	Recognized ASP
	(sq.m.)	(RMB'000)	(RMB/sq.m.)	(sq.m.)	(RMB'000)	(RMB/sq.m.)	(sq.m.)	(RMB'000)	(RMB/sq.m.)	(sq.m.)	(RMB'000)	(RMB/sq.m.)	(sq.m.)	(RMB'000)	(RMB/sq.m.)
												(unaudited)			
Zhuozhou															
Tianma Jingyuan (天馬景苑)	4,535	28,442	6,272	1,196	9,329	7,800	52	142	2,731	–	–	–	–	–	–
Laojixiao Teachers Apartment (勞技校教師公寓)	3,026	17,555	5,801	2,976	18,902	6,351	3,194	16,467	5,156	3,194	16,467	5,156	–	–	–
Tianhe Penghua (田合鵬華)	671	4,266	6,358	29,834	218,979	7,340	91	494	5,429	91	494	5,429	–	–	–
Tianbao Lingyun City (天保凌雲城)	–	–	–	–	–	–	–	–	–	–	–	–	36,441	270,507	7,423
Zhangjiakou															
Tianbao New City Phase I (天保新城一期)	7,500	25,548	3,406	4,718	21,723	4,604	1,136	5,136	4,521	704	3,375	4,794	–	–	–
Tianbao New City Phase II (天保新城二期)	–	–	–	–	–	–	108,706	369,470	3,399	107,044	367,391	3,432	–	–	–
Total/overall	**15,732**	**75,811**	**4,819**	**38,724**	**268,933**	**6,945**	**113,179**	**391,709**	**3,461**	**111,033**	**387,727**	**3,492**	**36,441**	**270,507**	**7,423**

The increase in the aggregate GFA delivered from 15,732 sq.m. in 2016 to 38,724 sq.m. in 2017 and the increase in the recognized ASP from RMB4,819 per sq.m. in 2016 to RMB6,945 per sq.m. in 2017 were primarily attributable to the increase in the delivered GFA of Tianhe Penghua in 2017, which mainly consists of multi-story apartments and commercial properties with higher recognized ASP than the recognized ASP of the delivered GFA of property projects in 2016. The increase in the aggregate GFA delivered from 38,724 sq.m. in 2017 to 113,179 sq.m. in 2018 with a significant decrease in the recognized ASP of RMB6,945 in 2017 to RMB3,461 in 2018 were primarily attributable to the commencement of delivery of Tianbao New City Phase II, which is a project in Zhangjiakou mainly consisting of high-rise apartments with lower recognized ASP than the recognized ASP of the delivered GFA of property projects in 2017. The decrease in the aggregate GFA delivered from 111,033 sq.m. in the four months ended April 30, 2018 to 36,441 sq.m. in the four months ended April 30, 2019 with a significant increase in the recognized ASP of RMB3,492 in the four months ended April 30, 2018 to RMB7,423 in the four months ended April 30, 2019 were primarily attributable to the fact that only GFA of 36,441 sq.m. of Tianbao Lingyun City (天保凌雲城), a residential project with relatively high recognized ASP, was completed and delivered to customers in April 2019.

We also generate rental income primarily from lease of commercial investment properties. We hold these commercial investment properties for capital appreciation and lease them to generate rental income. As of April 30, 2019, we held one commercial investment property, Baoxin International Building, which had a rentable GFA of 44,336.1 sq.m.

Construction contracting business

Our construction contracting business generates revenue primarily from providing construction contracting services mainly as a general contractor for building construction projects, infrastructure construction projects and industrial and commercial construction projects. In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, the revenue from this segment accounted for 90.3%, 77.2%, 75.0%, 41.1% and 49.6% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue from construction contracting business by project type for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Building construction	388,451	53.7	527,177	56.8	723,300	60.2	152,882	56.3	151,901	56.3
Infrastructure construction	275,259	38.1	355,472	38.3	300,073	25.0	91,194	33.6	78,504	29.1
Industrial and commercial construction	59,024	8.2	45,526	4.9	178,107	14.8	27,412	10.1	39,534	14.6
Total	**722,734**	**100.0**	**928,175**	**100.0**	**1,201,480**	**100.0**	**271,488**	**100.0**	**269,939**	**100.0**

During the Track Record Period, the general increase in the revenue from our construction contracting business was primarily attributable to an increased revenue from building construction and industrial and commercial construction projects mainly as a result of increased project volume and increased scale of such construction projects.

Cost of Sales

Our costs of sales primarily represent the costs we incur for the property development and sales as well as construction contracting service we rendered. In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, our costs of sales were RMB737.4 million, RMB1,008.7 million, RMB1,411.8 million, RMB524.5 million and RMB420.7 million, respectively. The following table sets forth a breakdown of our cost of sales by business segment and as a percentage of total cost of sales for the periods indicated:

	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	%
By segment										
Property development business	44,099	6.0	134,820	13.4	279,057	19.8	267,330	51.0	165,259	39.3
Construction contracting business	693,252	94.0	873,871	86.6	1,132,758	80.2	257,141	49.0	255,463	60.7
Total	**737,351**	**100.0**	**1,008,691**	**100.0**	**1,411,815**	**100.0**	**524,471**	**100.0**	**420,722**	**100.0**

Property development business

Our cost of sales for property development business primarily includes land costs and construction costs. The following table sets forth a breakdown of our cost of sales of property development business by nature for the periods indicated:

	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	%
By nature										
Property development business										
— Land costs	9,176	20.8	46,905	34.8	54,698	19.6	53,733	20.1	37,278	22.6
— Construction costs	34,442	78.1	86,966	64.5	223,198	80.0	213,229	79.8	127,399	77.0
— Rent costs	481	1.1	949	0.7	1,161	0.4	368	0.1	582	0.4
Total	**44,099**	**100.0**	**134,820**	**100.0**	**279,057**	**100.0**	**267,330**	**100.0**	**165,259**	**100.0**

The following table sets forth certain other details of our cost of sales in relation to our property development business for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
Total GFA delivered (sq.m.)	15,732	38,724	113,179	111,033	36,441
Average cost per sq.m. sold (RMB) [(1)]	2,772	3,457	2,455	2,404	4,519
Average cost as % of the recognized ASP	58	50	71	69	61
Average land costs per sq.m. sold (RMB) [(2)]	583	1,211	483	484	1,023
Average land costs as % of the recognized ASP	12	17	14	14	14

Note:

(1) Average cost per sq.m. sold refers to the average cost of our property sold (excluding the rent costs) and is derived by dividing the sum of land costs and construction costs for a year by the total GFA delivered in that relevant year.

(2) Average land cost per sq.m. sold refers to the average land cost of our property sold (excluding the rent costs) and is derived by dividing the land costs for a year by the total GFA delivered in that relevant year.

Land costs

Land costs represented costs relating to acquisition of the rights to occupy, use and develop land, including land grant premiums paid in connection with land grants from the PRC government. Such costs for a development project were affected by a number of factors, such as the location of the underlying property, regional property market condition, the timing of the land acquisition, the development project's plot ratios, the method of acquisition and changes in PRC regulations.

Construction costs

Construction costs included costs for the design and construction of a development project, consisting primarily of fees relating to construction, landscaping, equipment installation and interior decoration, as well as infrastructure construction costs and design costs. Our construction costs were affected by certain factors such as price fluctuations of construction materials, the location and types of properties and the types of ancillary facilities.

The following table sets forth a sensitivity analysis for our construction costs illustrating, with all other variables held constant, their impact on our profit before tax during the Track Record Period:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Construction costs increase/(decrease) by:	**Increase/(decrease) in profit before tax**				
+5%	(1,722)	(4,348)	(11,160)	(10,661)	(6,370)
+1%	(344)	(870)	(2,232)	(2,132)	(1,274)
-1%	344	870	2,232	2,132	1,274
-5%	1,722	4,348	11,160	10,661	6,370

Rent costs

The principal components of rent costs mainly consist of staff costs and utility costs.

Construction contracting business

The following table sets forth a breakdown of our cost of sales for the construction contracting business by nature for the periods indicated:

	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	%
By nature										
Construction contracting business										
— Labor costs	201,138	29.0	241,099	27.6	345,958	30.5	74,909	29.1	77,307	30.3
— Raw material costs	426,857	61.6	540,063	61.8	671,641	59.3	158,614	61.7	154,859	60.6
— Machinery costs	50,005	7.2	76,879	8.8	95,013	8.4	20,572	8.0	13,377	5.2
— Subcontracting costs	14,496	2.1	13,992	1.6	17,658	1.6	2,534	1.0	8,727	3.4
— Other costs	756	0.1	1,838	0.2	2,488	0.2	512	0.2	1,193	0.5
Total	**693,252**	**100.0**	**873,871**	**100.0**	**1,132,758**	**100.0**	**257,141**	**100.0**	**255,463**	**100.0**

The following table demonstrate a sensitivity analysis for raw material costs illustrating, with all other variables held constant, their impact on our profit before tax during the Track Record Period:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Raw material costs increase/(decrease) by:	**Increase/(decrease) in profit before tax**				
+5%	(21,343)	(27,003)	(33,582)	(7,931)	(7,743)
+1%	(4,269)	(5,401)	(6,716)	(1,586)	(1,549)
-1%	4,269	5,401	6,716	1,586	1,549
-5%	21,343	27,003	33,582	7,931	7,743

During the Track Record Period, the increases in our cost of sales were primarily attributable to the growth of both our property development business and construction contracting business. For detailed period over period analysis for each business segment, see paragraphs headed "— Period to period comparison of results of operations — Four months ended April 30, 2019 compared to four months ended April 30, 2018", "— Period to period comparison of results of operations — 2018 Compared to 2017" and "— Period to period comparison of results of operations — 2017 Compared to 2016" in this section.

Gross Profit and Gross Profit Margin

Our segment gross profit was calculated based on segment revenue less segment cost of sales. Our segment gross profit margin was calculated by dividing the segment gross profit by the segment revenue. The following table sets forth a breakdown of gross profit and gross profit margin by business segment for the periods indicated:

	Year ended December 31,									Four months ended April 30,					
	2016			2017			2018			2018			2019		
	RMB'000	% of Gross profit	Gross profit margin (%)	RMB'000	% of Gross profit	Gross profit margin (%)	RMB'000	% of Gross profit	Gross profit margin (%)	RMB'000	% of Gross profit	Gross profit margin (%)	RMB'000	% of Gross profit	Gross profit margin (%)
											(unaudited)				
Segment															
Property development business	33,359	53.1	43.1	139,283	71.9	50.8	121,202	63.8	30.3	121,716	89.5	31.3	109,228	88.3	39.8
Construction contracting business	29,482	46.9	4.1	54,304	28.1	5.9	68,722	36.2	5.7	14,347	10.5	5.3	14,476	11.7	5.4
— Building construction	15,750	25.1	4.1	31,468	16.3	6.0	41,411	21.8	5.7	7,860	5.8	5.1	7,996	6.5	5.3
— Infrastructure construction	11,383	18.1	4.1	20,489	10.6	5.8	16,945	8.9	5.6	4,991	3.7	5.5	4,242	3.4	5.4
— Industrial and commercial construction	2,349	3.7	4	2,347	1.2	5.2	10,366	5.5	5.8	1,496	1.1	5.5	2,238	1.8	5.7
Total/overall	**62,841**	**100.0**	**7.9**	**193,587**	**100.0**	**16.1**	**189,924**	**100.0**	**11.9**	**136,063**	**100.0**	**20.6**	**123,704**	**100.0**	**22.7**

The increase in our gross profit from RMB62.8 million in 2016 to RMB193.6 million in 2017 was primarily attributable to the increased revenue of our both property development business and construction contracting business. The slight decrease in our gross profit from RMB193.6 million in 2017 to RMB189.9 million in 2018 was primarily attributable to the decreased gross profit of our property development business from RMB139.3 million in 2017 to RMB121.2 million in 2018. The slight decrease in our gross profit from RMB136.1 million in the four months ended April 30, 2018 to RMB123.7 million in the same period in 2019 was primarily attributable to the decreased gross profit of our property development business from RMB121.7 million in the four months ended April 30, 2018 to RMB109.2 million in the same period in 2019.

The increase in our gross profit margin from 7.9% in 2016 to 16.1% in 2017 was primarily attributable to the increase in gross profit margin of both our property development business and construction contracting business. The gross profit margin of our property development business increased from 43.1% in 2016 to 50.8% in 2017, mainly attributable to the increase in the GFA delivered of Tianhe Penghua in 2017, which mainly consists of multi-story apartments with higher recognized ASP than the GFA delivered of property projects in 2016. The gross profit margin of our construction contracting business increased from 3.8% in 2016 to 5.9% in 2017, mainly attributable to the fact that we undertook more construction projects with higher gross profit margin in 2017. The decrease in our gross profit margin from 16.1% in 2017 to 11.9% in 2018 was primarily attributable to the decrease in gross profit margin of our property development business from 50.8% in 2017 to 30.3% in 2018, mainly driven by the fact that we recognized sales of properties mainly from Tianbao New City Phase II, which is a project in Zhangjiakou mainly consists of high-rise apartments with lower recognized ASP than the recognized ASP of the GFA delivered of property projects in 2017. The increase in our gross profit margin from 20.6% in the four months ended April 30, 2018 to 22.7% in the same period in 2019 was primarily attributable to the increase in gross profit margin of our property development business from 31.3% in the four months ended April 30, 2018 to 39.8% in the same period in 2019, mainly attributable to that Tianbao Lingyun City (天保凌雲城), a residential project with high ASP, was completed and started to delivered to customers in April 2019. The gross profit margin of our construction contracting business remained relatively stable being 5.4% in the four months ended April 30, 2019 compared to 5.3% in the same period in 2018.

Other Income and Gains

Our other income and gains consist of bank interest income, dividend income from equity investments designated at fair value through other comprehensive income primarily representing dividend income from equity investments in Hebei Zhuozhou Rural Commercial Bank Corporation, dividend income from available-for-sale investments primarily representing dividend income from equity investments in Hebei Zhuozhou Rural Commercial Bank Corporation, and gains on disposal of subsidiaries. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	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
Bank interest income	882	2,519	2,798	246	219
Dividend income from equity investments designated at fair value through other comprehensive income	—	—	13,270	900	420
Dividend income from available-for-sale investments	8,425	2,226	—	—	—
Gain on disposal of subsidiaries	—	—	490	—	1,534
Others	36	51	362	116	285
Total	**9,343**	**4,796**	**16,920**	**1,262**	**2,458**

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of advertising, marketing and business development expenses and staff costs in relation to our selling and marketing personnel. The table below sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	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
Advertising, marketing and business development expenses	1,194	4,481	2,154	962	2,668
Staff costs	3,160	3,105	3,475	1,018	—
Total	**4,354**	**7,586**	**5,629**	**1,980**	**2,668**

Administrative Expenses

Our administrative expenses primarily consist of staff costs in relation to our administrative personnel, listing expenses, office expenses, depreciation and amortization, traveling and entertainment expenses and other expenses. The table below sets forth a breakdown of our administrative expenses for the periods indicated:

	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 costs	9,402	12,701	16,758	4,760	5,426
Listing expenses	—	—	3,884	—	3,088
Office expenses	4,183	4,043	6,716	1,268	2,453
Depreciation and amortization	3,854	5,011	6,257	1,783	1,622
Traveling and entertainment expenses	2,643	2,235	3,320	692	1,116
Others	3,123	4,232	5,587	1,759	2,154
Total	**23,205**	**28,222**	**42,522**	**10,262**	**15,859**

Impairment losses/reversal of impairment losses on financial and contract assets, net

We perform an impairment analysis as of December 31, 2018 using a provision matrix to measure expected credit losses ("**ECLs**"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The impact of adopting the expected credit loss model under IFRS 9 was not significant and, therefore, we made no adjustment to reserves as of January 1, 2018 for the changes in impairment.

The amount of impairment losses on financial assets, net increased from RMB0.7 million in 2016 to RMB26.8 million in 2017, primarily due to the increase in the amount of financial assets that we consider not recoverable based on the aging analysis performed. There was not impairment on contract assets recorded in 2016 and 2017. We recorded the reversal of impairment losses on financial and contract assets, net of RMB10.6 million in 2018, primarily because we collected certain long-aging trade receivables which we provided provision in prior years as a result of enhancement of our collection effort for the trade receivables which we had issued invoices but not collected. The amount of impairment losses on financial assets, net increased from RMB5.8 million in the four months ended April 30, 2018 to RMB10.3 million in the same period in 2019, primarily due to the increase in the amount of financial assets that we consider not recoverable based on the ECLs analysis performed.

Fair value gains on investment properties

We develop and hold certain investment properties on a long-term basis for rental income or capital appreciation. Our investment properties are recorded as non-current assets in our consolidated statements of financial position at fair value at the end of each year during the Track Record Period as determined by independent valuations. Fair value gains or losses on our investment properties are accounted for as gains or losses in our consolidated statements of profit or loss, which may have an material effect on our net profit. The valuation of property involves the exercise of professional judgment and requires the use of certain bases and assumptions.

Investment properties are initially measured at their fair values based on valuations performed by our independent property valuer, and subsequent gains or losses arising from changes in these fair values are recorded as fair value gains or losses on investment properties. The independent property valuer has used methods of valuation which involve, inter alia, certain estimates including current market transaction prices for comparable properties, appropriate yield rates and expected current market rents. Favorable or unfavorable changes to the assumptions would result in changes in the estimated fair value of our investment properties and corresponding adjustments to the amount of gain or loss reported in the consolidated statements of comprehensive income. In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, our fair value gains on investment properties was RMB28.7 million, RMB2.6 million, RMB19.4 million, RMB7.0 million and RMB3.7 million, respectively. The amounts of valuation adjustments are likely to continue to be significant as a result of market fluctuations and have a significant impact on our results of operations.

The fair value of investment properties is determined by the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the fair value at an appropriate capitalization rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered. A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the capitalization rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

Other Expenses

Our other expenses primarily comprise expenses for renovation of historical buildings for public service purpose, donation expenses, net loss on disposal of fixed assets and other miscellaneous expenses. The table below sets forth a breakdown of our other expenses for the periods indicated:

	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
Expenses for renovation of historical buildings	—	2,874	—	—	—
Donation expenses	101	62	1,511	1,500	—
Net loss on disposal of fixed assets	—	—	429	—	—
Others	128	79	58	27	457
Total	**229**	**3,015**	**1,998**	**1,527**	**457**

Finance Costs

Our finance costs primarily represent interest expenses on bank loans. The following tables set forth the components of our finance costs for the periods indicated:

	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	7,279	7,297	29,794	4,312	17,669
Less: interest capitalized for property development	(1,150)	(2,813)	(24,744)	(2,875)	(10,794)
Total	**6,129**	**4,484**	**5,050**	**1,437**	**6,875**

Profit before Tax from Continuing Operations

In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, our profit before tax from continuing operations was RMB66.3 million, RMB130.9 million, RMB181.7 million, RMB123.3 million and RMB93.7 million, respectively.

Income Tax Expense from Continuing Operations

Cayman Islands and BVI

Pursuant to the rules and regulations of the Cayman Islands and the BVI we are not subject to income tax in the Cayman Islands and the BVI, if any.

Hong Kong

We have not had any assessable profits currently arising in Hong Kong. Hence we are not liable for income tax in Hong Kong.

PRC

Our income tax expenses for a given period include payments and provisions made for corporate income tax and LAT. The following table sets forth a breakdown of our tax expenses for the periods indicated.

	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**
Current tax					
Corporate Income tax	25,755	55,107	56,787	35,521	23,468
Current income tax	19,329	49,755	68,618	43,678	45,832
Deferred income tax	6,426	5,352	(11,831)	(8,157)	(22,364)
LAT	2,559	15,542	15,249	12,477	16,778
Total income tax expenses for the year from continuing operations	**28,314**	**70,649**	**72,036**	**47,998**	**40,246**

Corporate Income Tax

The PRC corporate income tax rate applicable to our PRC subsidiaries is 25.0% pursuant to the PRC Enterprise Income Tax Law. The state taxation bureau of Zhuozhou (國家税務總局涿州市税務局) (the "**Zhuozhou State Tax Bureau**") and the Chengqu sub-bureau of the state taxation bureau of Zhangbei (國家税務總局張北縣税務局城區税務分局) (the "**Chengqu State Tax Sub-bureau**") requested, based on their policies, the adoption of deemed profit basis (核定徵收) ("**ADPB**") in calculating enterprise income tax and LAT for all enterprises in the property development industry and the construction contracting industry under their supervision. As a result, our certain PRC subsidiaries in these industries under their supervision (the "**ADPB Subsidiaries**") adopted deemed profit basis in the Track Record Period, except that certain of our property developing companies were required by these tax bureaus to switch to accounting book method since January 1, 2017. The rest of these ADPB Subsidiaries switched to accounting book method since January 1, 2019, as approved by the corresponding tax authorities. Based on the interview with the Zhuozhou State Tax Bureau on

December 18, 2018 and the interview with the Chengqu State Tax Sub-bureau on December 21, 2018, and pursuant to confirmation issued by Zhuozhou State Tax Bureau and the state taxation bureau of Zhangbei (國家稅務總局張北縣稅務局) ("**Zhangbei State Tax Bureau**") in February 2019, both authorities confirmed that as of the date of confirmation, the ADPB Subsidiaries have paid enterprise income tax and LAT in full and both authorities would not make retrospective adjustments on the historical corporate income tax and LAT levied on us based on the deemed profit basis, nor would they impose any penalty on us or collect any surcharge for overdue tax payment from us. Our PRC Legal Advisors have confirmed that the Zhuozhou State Tax Bureau and the Zhangbei State Tax Bureau are the competent tax authorities of our tax matters, and the adoption of deemed profit basis of these ADPB Subsidiaries was not due to any non-compliance of the relevant PRC laws and regulations and the risk of imposition by the competent tax authorities of any retrospective adjustments or penalty is relatively low.

Under the deemed profit basis, the profit rate is deemed as 8.0% for the construction contracting industry and 10.0% for the property development industry. The PRC corporate income tax in turn is calculated using this deemed profit as the taxable income of the ADPB Subsidiaries multiplied by the 25.0% statutory income tax rate in accordance with relevant PRC tax rules and regulations. See Note 10 to the Accountants' Report as set out in Appendix I to this prospectus for the calculation of the Group's income taxes under the deemed profit basis during the Track Record Period.

In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, we recognized corporate income tax of approximately RMB25.8 million, RMB55.1 million, RMB56.8 million, RMB35.5 million and RMB23.5 million, respectively. Our effective tax rate for corporate income tax (calculated as corporate income tax expenses excluding LAT expenses divided by profit before tax) amounted to approximately 38.9%, 42.1%, 31.3%, 28.8% and 25.0% for 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, respectively.

LAT

Our property projects developed for sales are subject to LAT. In accordance with the provisions of The Provisional Regulations of the PRC on LAT (《中華人民共和國土地增值稅暫行條例》) and the related implementation rules, all entities and individuals that receive income from the sales or transfer of land use rights, buildings and ancillary facilities are subject to payment of LAT at progress rates ranging from 30.0% to 60.0% of the appreciated value of the property, calculated as the sale proceeds of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. Some of our properties are subject to LAT which is calculated based on 5% of property revenue in accordance with the deemed profit basis approved by respective local tax bureau over the Track Record Period.

In 2016 and 2017, three of our property projects were subject to LAT which is calculated based on 5% of property revenue in accordance with the deemed profit basis approved by the respective local tax authorities and one of our property projects was subject to LAT at a rate of 30% in accordance with the provisions of The Provisional Regulations of the PRC on LAT. In 2018, three of our property projects were subject to LAT which is calculated based on 5% of property revenue in accordance with the deemed profit basis approved by respective local tax authorities and two of our property projects were subject to LAT at a rate of 30% in accordance with the provisions of The Provisional Regulations of the PRC on LAT. In the four months ended April 30, 2019, one property project was subject to LAT at a rate of 30% in accordance with the provisions of The Provisional Regulations of the PRC on LAT.

In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, the LAT charged to our consolidated statements of profit or loss amounted to approximately RMB2.6 million, RMB15.5 million, RMB15.2 million, RMB12.5 million and RMB16.8 million, respectively.

We estimate and make provisions for the amount of LAT payable under the applicable laws and regulations and recognize this as an income tax expense in our consolidated statements of profit or loss together with the recognition of revenue from the sale of our properties. Because at the time we recognize revenue we may not have completed the entire phase of the relevant project or the project as a whole, our estimate of LAT provisions at the time of such delivery requires us to use significant judgment with respect to, among other things, the total proceeds to be derived from the sales of the entire phase of the entire project, the total appreciation of land value and the total amount of various deductible items. Our net profit in the relevant periods will be affected if the ultimate tax determination differs from the amounts that were initially recorded. See "Risk Factors — Risks Relating to Our Industries and Business — Risks Relating to Our Business Operations — The LAT calculated by the relevant PRC tax authorities may be different from our calculation of LAT liabilities for provision purposes, which may have a material adverse effect on our financial condition."

Profit for the Year/Period from Continuing Operations

In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, our profit for the year/period from continuing operations was RMB38.0 million, RMB60.2 million, RMB109.6 million, RMB75.3 million and RMB53.5 million, respectively, and our net profit margin from continuing operations was 4.7%, 5.0%, 6.8%, 11.4% and 9.8%, respectively.

Loss for the Year/Period from Discontinued Operations

In 2016, 2017, 2018 and the four months ended April 30, 2018 and 2019, our net loss from the discontinued operations was approximately RMB0.8 million, RMB0.9 million, RMB1.4 million, RMB0.8 million and RMB0.1 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months Ended April 30, 2019 Compared to Four Months Ended April 30, 2018

Revenue

Our total revenue decreased by 17.6% from RMB660.5 million in the four months ended April 30, 2018 to RMB544.4 million in the same period in 2019. The decrease was due to decreased revenue of our property development business. The following are discussion of our segment revenue:

Property development business

Segment revenue of our property development business decreased by 29.4% from RMB389.0 million in the four months ended April 30, 2018 to RMB274.5 million in the same period in 2019, primarily due to the decrease in the aggregate GFA delivered from 111,033 sq.m. in the four months ended April 30, 2018 to 36,441 sq.m. in the four months ended April 30, 2019 as a result of the fact that we only completed and delivered GFA of 36,441 sq.m. of Tianbao Lingyun City (天保淩雲城) in the four months ended April 30, 2019.

Construction contracting business

Segment revenue of our construction contracting business slightly decreased by 0.6% from RMB271.5 million in the four months ended April, 30, 2018 to RMB269.9 million in the same period in 2019, primarily due to a decrease in our revenue from building construction projects and infrastructure construction projects from RMB152.9 million and RMB91.2 million in the four months ended April 30, 2018 to RMB151.9 million and RMB78.5 million in the four months ended April 30, 2019, partially offset by the increase in our revenue from industrial and commercial construction projects from RMB27.4 million in the four months ended April 30, 2018 to RMB39.5 million in the four months ended April 30, 2019.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales decreased by 19.8% from RMB524.5 million in the four months ended April 30, 2018 to RMB420.7 million in the same period in 2019, primarily due to the decrease in the cost of sales of property development business in the four months ended April 30, 2019 as a result of the fact that we completed and delivered less GFA of property project compared to the four months ended April 30, 2018.

As a result of the foregoing, our gross profit decreased by 9.1% from RMB136.1 million in the four months ended April 30, 2018 to RMB123.7 million in the same period in 2019. Our gross profit margin increased from 20.6% in in the four months ended April 30, 2018 to 22.7% in the same period in 2019, primarily due to that Tianbao Lingyun City (天保淩雲城), a residential project with relatively high recognized ASP, was completed and started to delivered to customers in April 2019.

The following are discussion of our segment cost of sales, gross profit and gross profit margin:

Property development business

Cost of sales for our property development business decreased by 38.2% from RMB267.3 million in the four months ended April 30, 2018 to RMB165.3 million in the same period in 2019, which was primarily due to the decrease in the aggregate GFA delivered from 111,033 sq.m. in the four months ended April 30, 2018 to 36,441 sq.m. in the same period in 2019.

Segment gross profit of our property development business decreased by 10.3% from RMB121.7 million in the four months ended April 30, 2018 to RMB109.2 million in the same period in 2019, and segment gross profit margin increased from 31.3% in the four months ended April 2018 to 39.8% in the same period in 2019. The increase in the gross profit margin was primarily because of the higher recognized ASP of RMB7,423 per sq.m. of the GFA delivered of Tianbao Lingyun City (天保淩雲城) in the four months ended April 30, 2019 compared to the recognized ASP of RMB3,492 of the GFA delivered in the same period in 2018.

Construction contracting business

Cost of sales for our construction contracting business decreased by 0.6% from RMB257.1 million in the four months ended April 30, 2018 to RMB255.5 million in the same period in 2019, which was generally in line with the decrease in segment revenue in the same period.

Segment gross profit of our construction contracting business increased by 1.4% from RMB14.3 million in the four months ended April 30, 2018 to RMB14.5 million in the same period in 2019 primarily due to the segment revenue of our construction contracting business decreased slower than the decrease in the cost of sales of our construction contracting business, while segment gross profit margin in the four months ended April 30, 2019, being 5.4%, remained stable compared to the segment gross profit margin of 5.3% in the same period in 2018.

Other Income and Gains

Our other income and gains increased by 92.3% from RMB1.3 million in the four months ended April 30, 2018 to RMB2.5 million in the same period in 2019, primarily due to the gain on disposal of Hebei Zhongxin Hongbo Construction Company Limited (河北眾鑫宏博建築工程有限公司).

Selling and Distribution Expenses

Our selling and distribution expenses increased by 35.0% from RMB2.0 million in the four months ended April 30, 2018 to RMB2.7 million in the same period in 2019, primarily due to the increase in the advertising, marketing and business development expenses from RMB1.0 million in the four months ended April 30, 2018 to RMB2.7 million in the same period in 2019, which was mainly due to the increase in the commission paid to sales agents in relation to our property development business. In 2019, to improve the effectiveness of our pre-sale efforts, we engaged third party sales agents to conduct all pre-sales of our property projects, including Tianbao Edelweiss City (Residential Community) that entered into pre-sale state in 2019, which led to the increase in the commission paid to sales agents. Our staff costs decreased from RMB1.0 million in the four months ended April 30, 2018 to nil in the same period in 2019 because there was no sales staff dedicated to the pre-sales of our property projects as it was conducted by the sales agents.

Administrative Expenses

Our administrative expenses increased by 54.4% from RMB10.3 million in the four months ended April 30, 2018 to RMB15.9 million in the same period in 2019, primarily because of the listing expenses of RMB3.1 million incurred in the four months ended April 30, 2019.

(Impairment losses)/reversal of impairment losses on financial and contract assets, net

We recorded impairment losses on financial and contract assets, net, of RMB5.8 million in the four months ended April 30, 2018 compared to impairment losses on financial and contract assets, net of RMB10.3 million in the same period in 2019, primarily because the increase in the amount of financial assets that we consider not recoverable based on the ECLs analysis performed.

Fair value gains on investment properties

Fair value gains on investment properties decreased from RMB7.0 million in the four months ended April 30, 2018 to RMB3.7 million in the same period in 2019, primarily due to the appreciation of Baoxin International Building from December 31, 2018 to April 30, 2019 was less than that from December 31, 2017 to April 30, 2018, mainly as a result of the increase in the occupation rate of Baoxin International Building from 61% as of December 31, 2017 to 66% as of April 30, 2018, while the occupation rate of Baoxin International Building was 76% as of December 31, 2018 which remained the same as of April 30, 2019.

Other expenses

Our other expenses decreased by 66.7% from RMB1.5 million in the four months ended April 30 2018 to RMB0.5 million in the same period in 2019, primarily because we did not incur any donation expenses in the four months ended April 30 2019, while we incurred RMB1.5 million donation expenses in the four months ended April 30, 2018.

Finance Costs

Our finance costs increased significantly from RMB1.4 million in the four months ended April 30, 2018 to RMB6.9 million in the same period in 2019, primarily due to an increase in the interest-bearing bank borrowings.

Income Tax Expenses

Our income tax expenses decreased by 16.3% from RMB48.0 million in the four months ended April 30, 2018 to RMB40.2 million in the same period in 2019, primarily due to the decrease in the profit before tax in the four months ended April 30, 2019. Our effective tax rate for corporate income tax decreased from 28.8% in the four months ended April 30, 2018 to 25.0% in the same period in 2019.

Profit for the Period from Continuing Operations

As a result of the foregoing, our profit from continuing operations decreased by 29.0% from RMB75.3 million in the four months ended April 30, 2018 to RMB53.5 million in the same period in 2019.

Profit for the Period

As a result of the foregoing, our profit for the period decreased by 28.3% from RMB74.5 million in the four months ended April 30, 2018 to RMB53.4 million in the same period in 2019.

2018 Compared to 2017

Revenue

Our total revenue increased by 33.2% from RMB1,202.3 million in 2017 to RMB1,601.7 million in 2018. The increase was due to increased revenue of our both two business segments, primarily contributed by our construction contracting business. The following are discussion of our segment revenue:

Property development business

Segment revenue of our property development business increased by 46.0% from RMB274.1 million in 2017 to RMB400.3 million in 2018, primarily due to an increase in the total GFA delivered from 38,724 sq.m. in 2017 to 113,179 sq.m. in 2018 mainly as a result of the GFA delivered for the project of Tianbao New City Phase II of 108,706 sq.m. in 2018.

Construction contracting business

Segment revenue of our construction contracting business increased by 29.4% from RMB928.2 million in 2017 to RMB1,201.5 million in 2018, primarily due to an increased revenue from building construction and industrial and commercial construction projects from RMB572.7 million in 2017 to RMB901.4 million in 2018 mainly as a result of increased project volume and increased scale of such construction projects, including Qingshui Hepan and Jinpin Shidai Residence External Network Construction.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 40.0% from RMB1,008.7 million in 2017 to RMB1,411.8 million in 2018, which was generally in line with the increase in our total revenue during the same period.

As a result of the foregoing, our gross profit slightly decreased by 1.9% from RMB193.6 million in 2017 to RMB189.9 million in 2018. Our gross profit margin decreased from 16.1% in 2017 to 11.9% in 2018, primarily due to a decrease in the gross profit margin of our property development business. In 2018, we recognized sales of properties mainly from Tianbao New City Phase II in Zhangbei area of Zhangjiakou, which had a relatively lower recognized ASP than the property projects we delivered in 2017.

The following are discussion of our segment cost of sales, gross profit and gross profit margin:

Property development business

Cost of sales for our property development business increased by 107.0% from RMB134.8 million in 2017 to RMB279.1 million in 2018, which was primarily due to the increase in the construction costs mainly as a result of the increased raw materials cost incurred for the project of Tianbao New City Phase II.

Segment gross profit of our property development business decreased by 13.0% from RMB139.3 million in 2017 to RMB121.2 million in 2018, and segment gross profit margin decreased from 50.8% in 2017 to 30.3% in 2018. The decrease in the gross profit margin was primarily because the GFA delivered in 2018 was mainly from Tianbao New City Phase II in Zhangbei area of Zhangjiakou, which had a relatively lower recognized ASP than the property development projects we delivered in 2017.

Construction contracting business

Cost of sales for our construction contracting business increased by 29.6% from RMB873.9 million in 2017 to RMB1,132.8 million in 2018, which was generally in line with the increase in segment revenue in the same period.

Segment gross profit of our construction contracting business increased by 26.5% from RMB54.3 million in 2017 and RMB68.7 million in 2018 primarily due to the increase in the segment revenue of our construction contracting business, while segment gross profit margin in 2018 being 5.7% which remained stable compared to the segment gross profit margin of 5.9% in 2017.

Other Income and Gains

Our other income and gains increased by 252.1% from RMB4.8 million in 2017 to RMB16.9 million in 2018, primarily due to an increase in dividend income from equity investments designated at fair value through other comprehensive income, primarily representing dividend income from equity investments in Hebei Zhuozhou Rural Commercial Bank Corporation.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 26.3% from RMB7.6 million in 2017 to RMB5.6 million in 2018. In 2017, we incurred advertising expenses of RMB2.0 million for a TV advertisement. We did not incur such advertising expense in 2018.

Administrative Expenses

Our administrative expenses increased by 50.7% from RMB28.2 million in 2017 to RMB42.5 million in 2018, primarily because of (i) an increase in staff costs by RMB4.1 million, primarily due to an increase in the number of our administrative staff as well as compensation and related expenses incurred for our employees who are Class A and Class B Constructor License holders after we obtained the Premium Grade Certificate for our construction contracting business in November 2017; and (ii) listing expenses of RMB3.9 million incurred in 2018.

(Impairment losses)/reversal of impairment losses on financial and contract assets, net

We recorded reversal of impairment losses on financial and contract assets, net, of RMB10.6 million in 2018, compared to impairment on financial assets, net of RMB26.8 million in 2017, primarily because we collected certain long-aging trade receivables which we provided provision in prior years.

Fair value gains on investment properties

Fair value gains on investment properties increased from RMB2.6 million in 2017 to RMB19.4 million in 2018, primarily due to the appreciation in value of our investment properties, namely Baoxin International Building, mainly driven by the increase of the occupation rate of Baoxin International Building from 61% as of December 31, 2017 to 76% as of December 31, 2018.

Other expenses

Our other expenses decreased by 33.3% from RMB3.0 million in 2017 to RMB2.0 million in 2018, primarily because we incurred expenses for renovation and refurbishment of historical buildings for public service purpose in 2017, which was partially offset by (i) an increase in donation expense and (ii) net loss on disposal of fix assets in 2018.

Finance Costs

Our finance costs increased by 13.3% from RMB4.5 million in 2017 to RMB5.1 million in 2018, primarily due to an increase in the interest-bearing bank borrowings for the construction contracting business.

Income Tax Expenses

Our income tax expenses increased by 2.0% from RMB70.6 million in 2017 to RMB72.0 million in 2018, primarily due to the increase in corporate income tax driven by the increased profit before tax from continuing operations. Our effective tax rate for corporate income tax decreased from 42.1% in 2017 to 31.3% in 2018, primarily due to: (i) non-taxable nature of dividend income from equity investments at fair value through other comprehensive income; (ii) the decreased expenses not deductible for tax.

Profit for the year from Continuing Operations

As a result of the foregoing, our profit from continuing operations increased by 82.1% from RMB60.2 million in 2017 to RMB109.6 million in 2018.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 82.5% from RMB59.3 million in 2017 to RMB108.2 million in 2018.

2017 Compared to 2016

Revenue

Our total revenue increased by 50.2% from RMB800.2 million in 2016 to RMB1,202.3 million in 2017, primarily due to increased revenue of both our two business segments. The following are discussion of our segment revenue:

Property development business

Segment revenue of our property development business increased by 253.7% from RMB77.5 million in 2016 to RMB274.1 million in 2017, primarily due to (i) an increase in the total GFA delivered from 15,732 sq.m. in 2016 to 38,724 sq.m. in 2017 mainly as a result of the increased GFA delivered of Tianhe Penghua from 671 sq.m. in 2016 to 29,834 sq.m. in 2017, which mainly consists of multi-story apartments with higher recognized ASP compared to the recognized ASP of the GFA delivered of property development projects in 2016, and (ii) an increase in the recognized ASP of the other property development projects delivered in 2017 including Laojixiao Teachers Apartment, Tianma Jingyuan and Tianbao New City Phase I.

Construction contracting business

Segment revenue of our construction contracting business increased by 28.4% from RMB722.7 million in 2016 to RMB928.2 million in 2017, primarily due to an increased revenue from building construction projects and infrastructure construction projects from RMB663.7 million in 2016 to RMB882.6 million in 2017 mainly as a result of increased project volume and increased scale of such construction projects, including Zizhuyuan Residence and Jingdu High-rise Apartments.

Cost of Sales, Gross Profit and Gross Profit Margin

Our cost of sales increased by 36.8% from RMB737.4 million in 2016 to RMB1,008.7 million in 2017, which was generally in line with the increase in revenue in the same period.

Our gross profit increased by 208.3% from RMB62.8 million in 2016 to RMB193.6 million in 2017, primarily attributable to the increase in the revenue of both our property development business and construction contracting business. Our gross profit margin increased from 7.9% in 2016 to 16.1% in 2017, primarily attributable to (i) the increase in the GFA delivered of Tianhe Penghua from 671 sq.m. in 2016 to 29,834 sq.m. in 2017, which mainly consists of multi-story apartments with higher recognized ASP than the recognized ASP of the GFA delivered of property development projects in 2016 and (ii) we undertook increased construction projects with higher gross profit margin such as Zizhuyuan Residence in 2017.

The following are discussion of our segment cost of sale, gross profit and gross profit margin:

Property development business

Cost of sales for our property development business increased by 205.7% from RMB44.1 million in 2016 to RMB134.8 million in 2017, which was generally in line with the increase in segment revenue in the same period.

Segment gross profit of our property development business increased by 317.1% from RMB33.4 million in 2016 to RMB139.3 million in 2017, and segment gross profit margin increased from 43.1% in 2016 to 50.8% in 2017. The increase in our gross profit margin was primarily due to the increase in the GFA delivered of Tianhe Penghua in 2017, which had a higher gross profit margin due to its relatively higher recognized ASP than the recognized ASP of the GFA delivered of property development projects in 2016.

Construction contracting business

Cost of sales for our construction contracting business increased by 26.0% from RMB693.3 million in 2016 to RMB873.9 million in 2017, which was generally in line with the increase in segment revenue in the same period.

Segment gross profit of our construction contracting business increased by 84.1% from RMB29.5 million in 2016 to RMB54.3 million in 2017, and segment gross profit margin increased from 4.1% to 5.9%, mainly attributable to we undertook increased construction projects with higher gross profit margin such as Zizhuyuan Residence in 2017.

Other Income and Gains

Our other income and gains decreased by 48.4% from RMB9.3 million in 2016 to RMB4.8 million in 2017, primarily due to a decrease in dividend income from available-for-sale investment properties, representing dividend income from equity investments in Hebei Zhuozhou Rural Commercial Bank Corporation. The decreases were partially offset by an increase in bank interest income driven by the increase in our interest-bearing bank borrowings balances in 2017.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 72.7% from RMB4.4 million in 2016 to RMB7.6 million in 2017, primarily due to the increase in advertising, marketing and business development expenses mainly as a result of the expenses for a TV advertisement incurred in 2017.

Administrative Expenses

Our administrative expenses increased by 21.6% from RMB23.2 million in 2016 to RMB28.2 million in 2017, primarily because of an increase in staff costs by RMB3.3 million mainly driven by an increase in the number of administrative staff as well as compensation and related expenses incurred for our employees who are Class A and Class B Constructor License holders after we obtained the Premium Grade Certificate for our construction contracting business in November 2017.

(Impairment losses)/reversal of impairment losses on financial and contract assets, net

Impairment on financial and contract assets, net increased from RMB0.7 million in 2016 to RMB26.8 million in 2017, primarily due to the increase in the amount of financial assets that we consider not recoverable based on the aging analysis performed.

Fair value gains on investment properties

Fair value gains on investment properties were RMB28.7 million in 2016 and RMB2.6 million in 2017, primarily related to (i) the revaluation gains as a result of the completion of the construction of property project of Baoxin International Building in 2016, and (ii) the appreciation in value of Baoxin International Building in 2017. The occupation rate of Baoxin International Building increased from 40% as of December 31, 2016 to 61% as of December 31, 2017.

Other expenses

Our other expenses increased by 1,400.0% from RMB0.2 million in 2016 to RMB3.0 million in 2017, primarily because we incurred expenses for renovation and refurbishment of historical buildings for public service purpose in 2017.

Finance Costs

Our finance costs decreased by 26.2% from RMB6.1 million in 2016 to RMB4.5 million in 2017, primarily due to an increase in interest capitalized for property development business.

Income Tax Expenses

Our income tax expenses increased by 149.5% from RMB28.3 million in 2016 to RMB70.6 million in 2017. Our effective tax rate for corporate income tax increased from 38.9% in 2016 to 42.1% in 2017 primarily because of (i) an increase in corporate income tax due to an increase in taxable profit for 2017; and (ii) an increase in LAT due to an increase in sales of our property development projects.

Profit for the year from Continuing Operations

As a result of the foregoing, our profit from continuing operations increased by 58.4% from RMB38.0 million in 2016 to RMB60.2 million in 2017.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 59.4% from RMB37.2 million in 2016 to RMB59.3 million in 2017.

SELECTED ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	120,214	144,402	164,314	178,700
Investment properties	114,400	117,000	136,400	140,100
Prepaid land lease payments	36,123	34,860	33,597	10,923
Intangible assets	20	22	814	790
Investment in an associate	—	145	—	—
Equity investments designated at fair value through other comprehensive income	—	—	136,391	140,000
Available-for-sale investments	128,100	128,100	—	—
Deferred tax assets	—	1,512	15,601	33,840
Total non-current assets	398,857	426,041	487,117	504,353
CURRENT ASSETS				
Inventories	492	1,014	719	—
Trade receivables	236,092	235,419	321,440	141,712
Contract assets	613,184	914,037	785,045	955,498
Properties under development	536,771	1,415,599	2,594,931	2,641,928
Completed properties held for sale	167,633	293,231	54,120	170,122
Prepayments, other receivables and other assets	995,990	1,070,296	1,805,275	350,037
Tax recoverable	29,011	72,286	82,841	91,366
Pledged deposits	42,152	133,861	120,598	146,854
Cash and cash equivalents	42,438	68,963	98,833	79,615
Assets of a disposal group classified as held for sale	—	—	7,944	—
Total current assets	2,663,763	4,204,706	5,871,746	4,577,132

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
CURRENT LIABILITIES				
Trade payables	951,188	1,348,904	1,098,162	1,087,004
Other payables and accruals	1,051,450	1,999,709	2,512,649	2,597,414
Interest-bearing bank borrowings	—	—	469,000	714,000
Tax payable	55,699	81,649	128,170	172,472
Liabilities of a disposal group classified as held for sale	—	—	6,303	—
Total current liabilities	2,058,337	3,430,262	4,214,284	4,570,890
NET CURRENT ASSETS	605,426	774,444	1,657,462	6,242
TOTAL ASSETS LESS CURRENT LIABILITIES	1,004,283	1,200,485	2,144,579	510,595
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	90,000	220,000	445,000	100,000
Deferred tax liabilities	9,313	16,177	20,658	17,685
Total non-current liabilities	99,313	236,177	465,658	117,685
Net assets	904,970	964,308	1,678,921	392,910

Our net assets significantly decreased from RMB1,679 million as of December 31, 2018 to RMB392.9 million as of April 30, 2019 mainly because of our deemed distribution of approximately RMB1,338.5 million used for the settlement of the consideration payable by our Company for its acquisition of Tianbao Corporate Management as part of the Reorganization.

Property, Plant and Equipment

Our property, plant and equipment mainly comprised buildings, plant and machinery, motor vehicles, office equipment and others and construction in progress. The carrying amount of our property, plant and equipment increased from RMB120.2 million as of December 31, 2016 to RMB144.4 million as of December 31, 2017, primarily because of the construction of storage facility for construction materials in Zhangbei as well as the development of Haiziwa Hotel in 2017. The carrying amount of our property, plant and equipment increased from RMB144.4 million as of December 31, 2017 to RMB164.3 million as of December 31, 2018, primarily because of the further development of Haiziwa Hotel in 2018 and purchases of equipment and machinery as well as office equipment and others. The carrying amount of our property, plant and equipment increased from RMB164.3 million as of December 31, 2018 to RMB178.7 million as of April 30, 2019, primarily because of the continuous development of Haiziwa Hotel in 2019.

Completed Properties Held for Sales

Completed properties held for sale represent completed properties remaining unsold at the end of each financial year and are stated at the lower of cost and net realizable value. Cost of properties held for sale is determined by an apportionment of the total costs of land and buildings attributable to the unsold properties. Net realizable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable selling expenses, or by management estimates of the estimated selling prices based on prevailing market conditions. As of December 31, 2016, 2017, 2018 and April 30, 2019, we had completed properties held for sale of RMB167.6 million, RMB293.2 million, RMB54.1 million and RMB170.1 million, respectively, reflecting the status of our property projects of Tianhe Penghua, Tianbao Lingyun City, Tianbao Green City and Tianbao Green City, respectively. We have obtained the construction completion certificates in respect of all completed properties held by us for sale. None of the completed properties held for sale as of December 31, 2018 was sold as of April 30, 2019.

Properties under Development

Properties under development are intended to be held for sale after completion. Properties under development are stated at the lower of cost comprising land costs, construction costs, borrowing costs professional fees and other costs directly attributable to such properties incurred during the development year and net realizable value. Upon completion, the properties are transferred to completed properties held for sale. Our properties under development increased from RMB536.8 million as of December 31, 2016 to RMB1,415.6 million as of December 31, 2017, to RMB2,594.9 million as of December 31, 2018 and further to RMB2,641.9 million as of April 30, 2019, primarily due to the increases in costs incurred for our property development activities. As of April 30, 2019, RMB265.0 million of properties under development as of December 31, 2018 was subsequently transferred to properties held for sale.

Investment Properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. JLL, an independent property valuer of us, valued our investment properties at RMB114.4 million, RMB117.0 million, RMB136.4 million and RMB140.1 million as of December 31, 2016, 2017, 2018 and April 30, 2019, respectively. The increases in the fair value of our investment properties during the Track Record Period were mainly due to the appreciation of Baoxin International Building as a result of the increase in our occupation rate.

Inventories

Our inventories consist of raw materials such as steel and cement.

Our inventories increased by 100.0% from RMB0.5 million as of December 31, 2016 to RMB1.0 million as of December 31, 2017, primarily due to the increase in purchase of raw materials resulting from the commencement of certain of our construction projects. Our inventories decreased by 30.0% from RMB1.0 million as of December 31, 2017 to RMB0.7 million as of December 31, 2018, primarily due to the increase in the number and size of our construction projects that achieved milestones for revenue recognition in 2018, which resulted in the allocation of inventory to cost of sales. Our inventories decreased by 100.0% from RMB0.7 million as of December 31, 2018 to nil as of April 30, 2019, due to all inventory had been used in construction projects.

Trade Receivables

Our trade receivables are primarily receivables from customers of our construction contracting business, which represent work performed by us and invoices issued to our customers but not yet paid. The following table sets forth details of our trade receivables as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	239,457	256,612	331,985	160,838
Provision for impairment	(3,365)	(21,193)	(10,545)	(19,126)
Trade receivables, net	236,092	235,419	321,440	141,712

Our trade receivables being RMB235.4 million as of December 31, 2017 was stable compared to RMB236.1 million as of December 31, 2016. Our trade receivables increased from RMB235.4 million as of December 31, 2017 to RMB321.4 million as of December 31, 2018, primarily due to increased number of construction projects achieved milestones when invoices can be issued according to progress payment arrangements set out in our construction contracting contracts. Our trade receivables decreased by 55.9% from RMB321.4 million as of December 31, 2018 to RMB141.7 million as of April 30, 2019, primarily due to our increased collection efforts.

We typically grant credit periods of three to six months to our customers for construction contracting business excluding retentions. In consideration of granting credit periods to our customers, we typically evaluate operating information of our customers based on their history record of making payments when due and current ability to pay. We generally do not obtain collateral or other credit enhancements from our customers over our trade receivable balances. Our trade receivables are non-interest bearing.

Our customers generally withhold approximately 5.0% of the settlement amount of the entire project after deducting provisional sums and daywork labor costs, calculated upon completion and acceptance of the construction projects, as retentions. Such retentions will generally be returned to us in installments during the defects liability period or in full at the end of such period. The term of the defects liability period usually ranges from one year to five years, depending on the type of construction service we provide. Retentions before the expiring of the defects liability period is included in contract assets. Upon expiring defects liability period, retentions become unconditional and is include in trade receivables. As of December 31, 2016, 2017, 2018 and April 30, 2019, the balance of unconditional retentions (after provision for impairment) held by us amounted to RMB13.5 million, RMB7.2 million, RMB5.0 million and RMB5.9 million, respectively.

Before January 1, 2018, we assess the recoverability of trade receivables and make provision for impairment when objective evidence indicates that the trade receivables may not be collectible. An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. From January 1, 2018, we apply the simplified approach to provide impairment for ECLs which permits the use of the lifetime expected loss provision for all trade receivables, which have been grouped based on shared credit risk characteristics. ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions. An impairment loss is charged to the statement of profit or loss during the period in which it arises in those expense categories consistent with the function of the impaired asset. We assess at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. A previously recognized impairment loss of an asset is reversed if there has been a change in the estimates used to determine the recoverable amount of that asset. As of December 31, 2016, 2017, 2018 and April 30, 2019, provisions for impairment of trade receivables amounted to RMB3.4 million, RMB21.2 million, RMB10.5 million and RMB19.1 million, respectively.

The following is an aging analysis of trade receivables, based on the invoice date and before net of loss allowance as of the dates indicated:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 year	214,904	89,757	287,792	122,867
1 year to 2 years	17,202	151,684	15,028	10,786
2 years to 3 years	5,598	8,670	28,878	8,986
Over 3 years	1,753	6,501	287	18,199
Total	**239,457**	**256,612**	**331,985**	**160,838**

The following table sets forth our trade receivables turnover days for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2016	**2017**	**2018**	**2019**
Average trade receivables turnover days[1]	78	75	67	54
Adjusted average trade receivables turnover days[2]	369	307	261	246

Note:

(1) Average trade receivables turnover days for a period equals the average of the opening and closing trade receivables divided by revenue for the same period and multiplied by the number of days in such period, being 365 days for a full-year period or 120 days for a four-month period.

(2) Adjust average trade receivables turnover days for a period equals the average of the opening and closing contract assets plus trade receivables divided by revenue for the same period and multiplied by the number of days in such period, being 365 days for a full-year period or 120 days for a four-month period.

Our average trade receivables turnover days decreased from 78 days in 2016 to 67 days in 2018 and further to 54 days in the four months ended April 30, 2019, primarily due to our strengthening the collection of the trade receivables during the Track Record Period.

Our adjust average trade receivables turnover days decreased from approximately 369 days in 2016 to 261 days in 2018 and further to 246 days in the four months ended April 30, 2019, primarily due to that the revenue, in particular revenue from the property development business, increased at a faster rate than the contract assets plus trade receivables and that the Group accelerated the collection of trade receivables during the Track Record Period.

As of August 31, 2019, RMB24.4 million or 15.2% of our trade receivables as of April 30, 2019 was subsequently settled. The comparatively slow settlement during this period was because our clients tend to settle our trade receivables in the fourth quarter and the first quarter before the Spring Festival, which is the common industry practice. We believe the provision for impairment was adequate in view of the slow settlement. The Reporting Accountants' opinion on the Historical Financial Information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this prospectus.

Prepayments, Other Receivables and Other Assets

The following table sets forth details of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Prepayment to suppliers	31,571	69,627	75,335	84,837
Advances to related parties	891,116	776,293	1,429,340	—
Deposits	12,989	121,167	128,624	132,081
Other receivables	37,898	51,016	82,104	12,393
Other taxes recoverables	22,809	61,051	98,091	130,407
Other	1,263	1,263	1,263	339
	997,646	1,080,417	1,814,757	360,057
Provision for impairment	(1,656)	(10,121)	(9,482)	(10,020)
Total	**995,990**	**1,070,296**	**1,805,275**	**350,037**

Our prepayment to suppliers mainly comprises prepayment for procurement of raw materials and prepayment for construction projects. Advances to related parties represent interest-free fund transfers to related parties, the details of which are set out in note 39 of the Accountants' report. Deposits mainly comprise bid deposits for construction projects. Other receivables mainly comprise performance guarantee for construction projects in connection with our construction contracting business. Our other tax recoverables mainly represent our prepaid taxes.

Our prepayments, other receivables and other assets increased from RMB996.0 million as of December 31, 2016 to RMB1,070.3 million as of December 31, 2017, primarily due to (i) the increase in other current assets as a result of an increase in prepaid taxes due to the commencement of pre-sale of certain of our property development projects in 2017, and (ii) an increase in prepayment to suppliers as a result of increased procurement of raw materials in response to the increase in the number of our construction projects we undertook in 2017 and in preparation for potential rise of raw material price in the property development market, which were partially offset by the repayment of advance to related-parties. Our prepayments, other receivables and other assets increased from RMB1,070.3 millions as of December 31, 2017 to RMB1,805.3 million as of December 31, 2018, primarily due to the increase in advance to related parties from RMB776.3 million as of December 31, 2017 to RMB1,429.3 million as of December 31, 2018. Our prepayments, other receivables and other assets decreased from RMB1,805.3 million as of December 31, 2018 to RMB350.0 million as of April 30, 2019, primarily due to the full repayment of all advance to related parties of December 31, 2018. See "— Related-party Transactions" in this section for details.

Tax Recoverable

The tax recoverable mainly comprises the prepaid LAT and income tax in relation to the pre-sale proceeds for the property development projects not yet delivered to the purchasers. According to the relevant PRC rules and regulations, pre-sold properties are subject to prepayments of LAT and enterprise income tax. Our tax recoverable amounted to approximately RMB29.0 million, RMB72.3 million, RMB82.8 million and RMB91.4 million as of December 31, 2016, 2017, 2018 and April 30, 2019, respectively. During the Track Record Period, the increase in the tax recoverable was primarily driven by our increased pre-sales proceeds.

Cash and Cash Equivalents and Pledged Deposits

The following table sets forth details of our cash and cash equivalents as of the dates indicated:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash and bank balances	84,590	202,824	219,431	226,469
Less:				
Pledged for bank loans	(32,129)	(47,137)	(51,083)	(48,910)
Pledged for others	(10,023)	(86,724)	(69,515)	(97,944)
Total	**42,438**	**68,963**	**98,833**	**79,615**

Cash and bank balances pledged for bank loans represent bank deposits of RMB32.1 million, RMB47.1 million, RMB51.1 million and RMB48.9 million, pledged as security for purchasers' mortgage loans as of December 31, 2016, 2017, 2018 and April 30, 2019, respectively. The change of the balance of cash and bank balances pledged for bank loans during the Track Record Period was generally in line with our property development business.

Cash and bank balances pledged for others represent the cash in designated bank accounts as required by the relevant regulations. Pursuant to relevant regulations in China, our certain PRC subsidiaries engaging in property development are required to place certain amounts of cash in designated bank accounts for specified use. As of December 31, 2016, 2017, 2018 and April 30, 2019, such restricted cash amounted to RMB10.0 million, RMB86.7 million, RMB69.5 million and RMB97.9 million, respectively. The increase in restricted cash from December 31, 2016 to December 31, 2017 was primarily due to the introduction of stricter regulations on monitoring proceeds from property pre-sale in Zhuozhou, where a significant portion of our property development projects located. The increase in restricted cash from RMB69.5 million as of December 31, 2018 to RMB97.9 million as of April 30, 2019 was primarily due to the pre-sale proceeds of Tianbao Edelweiss City (Residential Community) (天保雪絨花都(住宅)).

Available-for-Sale Investments/Equity Investments Designated at Fair Value through Other Comprehensive Income

Our available-for-sale investments and equity investments designated at fair value through other comprehensive income are non-derivative financial assets in unlisted equity investments in Hebei Zhuozhou Rural Commercial Bank Corporation (河北涿州農村商業銀行股份有限公司), Zhuozhou Tianbao Construction System Company Limited (涿州天保建築體系有限公司) and Tianbao Group Zhuozhou Construction Material Supply Company Limited (天保集團涿州建材供應公司), representing our investments in the aforesaid entities established in China. Tianbao Group Zhuozhou Construction Material Supply Company Limited was deregistered in 2018.

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Available-for-sale investments				
Unlisted equity investments, at cost				
Hebei Zhuozhou Rural Commercial Bank Corporation (河北涿州農村商業銀行股份有限公司)	126,500	126,500	—	—
Zhuozhou Tianbao Construction System Company Limited (涿州天保建築體系有限公司)	1,000	1,000	—	—
Tianbao Group Zhuozhou Construction Material Supply Company Limited (天保集團涿州建材供應公司)	600	600	—	—
Total	**128,100**	**128,100**	**—**	**—**
Equity investments designated at fair value through other comprehensive income				
Unlisted equity investments, at fair value				
Hebei Zhuozhou Rural Commercial Bank Corporation (河北涿州農村商業銀行股份有限公司)	—	—	136,000	140,000
Zhuozhou Tianbao Construction System Company Limited (涿州天保建築體系有限公司)	—	—	391	—
Total	**—**	**—**	**136,391**	**140,000**

The following table sets forth the percentages of equity investments in the non-listed companies as of the date indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
Hebei Zhuozhou Rural Commercial Bank Corporation (河北涿州農村商業銀行股份有限公司)	8.4%	8.4%	8.4%	8.4%
Zhuozhou Tianbao Construction System Company Limited (涿州天保建築體系有限公司)	10.0%	10.0%	10.0%	N/A
Tianbao Group Zhuozhou Construction Material Supply Company Limited (天保集團涿州建材供應公司)	10.0%	10.0%	N/A	N/A

We have elected the option to irrevocably designate our previous available-for-sale equity investments as equity investments designated at fair value through other comprehensive income as of January 1, 2018 on the basis that they are not held for trading. As of December 31, 2016 and 2017, our available-for-sale investments were RMB128.1 million and RMB128.1 million, respectively. As of December 31, 2018, our equity investments designated at fair value through other comprehensive income were RMB136.4 million. As of April 30, 2019, our equity investments designated at fair value through other comprehensive income were RMB140.0 million.

During the Track Record Period, our financial assets categorised within level 3 of fair value mainly included unlisted equity investments, which was classified as equity investments designated at fair value through other comprehensive income. Our Company engaged a financial asset valuer in determining the fair value of these financial assets as of December 31, 2016, 2017 and 2018 and April 30, 2019. In determining the fair value, the financial asset valuer used price-to-earnings ratio (“**P/E**”) or price-to-book ratio (“**P/B**”) multiples, which are calculated by using comparable companies’ financial information, to determine the fair value of the unlisted equity investments and taking into account the discounts for the lack of marketability as the appropriate adjustment.

The fair values of unlisted equity investments are measured using technique with unobservable inputs and hence classified as level 3 of the fair value hierarchy. Details of the fair value measurement of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value and reconciliation of level 3 measurements are disclosed in note 41 to the Historical Financial Information of the Group for the Track Record Period as set out in the accountants’ report issued by the Reporting Accountants in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The reporting accountants’ opinion on the historical financial information of our Group for the Track Record Period as a whole is set out on page I-2 of this prospectus.

Our Directors, taking into account the applicable valuation techniques, are satisfied with the valuation work for financial assets categorized within level 3 of fair value measurement in the historical financial information for the purpose of the preparation of the Accountants' Report as referred to in Appendix I to this prospectus.

In relation to the valuation performed by the financial asset valuer on the financial assets, the Joint Sponsors have conducted relevant due diligence work, including but not limited to, (i) review of relevant notes to the Accountants' Report contained in Appendix I to this prospectus; (ii) review of relevant valuation report prepared by the financial asset valuer and the financial asset valuer's view that the assumptions adopted in determining the fair value were reasonable and the valuation is performed in accordance with the International Valuation Standard, and (iii) discussion with our Company, the Reporting Accountants and the financial asset valuer about the key basis, assumptions and methodology for the valuation of financial assets. Having considered the work done by the Directors, Reporting Accountants, the financial asset valuer and the relevant due diligence done as stated above, nothing has come to the Joint Sponsors' attention that would cause the Joint Sponsors to question the valuation performed by the financial asset valuer on the financial assets.

Trade Payables

Our trade payables primarily represent payables to our suppliers and subcontractors in connection with our construction projects. Normally, our trade payables are settled within 12 months. During the Track Record Period, some suppliers may allow a credit period of over 12 months based on their good relationship with us and our creditworthiness which resulted in the longer settlement cycle. Our trade payables increased from RMB951.2 million as of December 31, 2016 to RMB1,348.9 million as of December 31, 2017, primarily due to the increase in the purchase of raw materials resulting from a rise in the number of construction projects we undertook in 2017. Our trade payables decreased from RMB1,348.9 million as of December 31, 2017 to RMB1,098.2 million as of December 31, 2018, and further to RMB1,087.0 million as of April 30, 2019, primarily as we accelerated our pace of settling payment with our suppliers in 2018 and the four months ended April 30, 2019.

The following is an aged analysis of trade payables presented based on the invoice date as of the end of each reporting period:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within 6 months	421,473	815,356	568,677	466,560
6 months to 1 year	123,463	70,149	166,327	268,880
1 to 2 years	260,817	283,660	259,868	230,629
2 to 3 years	128,072	152,242	43,417	62,143
Over 3 years	17,363	27,497	59,873	58,792
Total	**951,188**	**1,348,904**	**1,098,162**	**1,087,004**

The following table sets forth our trade payables turnover days for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
Average trade payables turnover days[(1)]	484	416	316	312

Note:

(1) Average trade payables turnover days for a period equals the average of the opening and closing trade payables divided by cost of sales for the relevant period and multiplied by the number of days in such period, being 365 days for a full-year period or 120 days for a four-month period.

Our average trade payables turnover days decreased from 484 days in 2016 to 316 days in 2018 and further to 312 days in the four months ended April 30, 2019, primarily attributable to the expedition of our payment process.

As of August 31, 2019, RMB119.5 million or 11.0% of our trade payables as of April 30, 2019 was settled.

Our Directors confirm that we had no material defaults in payment of trade payables during the Track Record Period.

Contract Assets

Contract assets are initially recognized for revenue earned from construction contracting business as the receipt of consideration is conditional on successful completion of construction. Retention receivables are included in contract assets for construction services. Upon completion of construction and acceptance by the customer, the amounts recognized as contract assets are reclassified to trade receivables. In line with the market practice adopted by the construction industry in China, we have calculated revenue for a construction project on a given date based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services, which is generally higher than the amount of our due progress payment, reflecting stronger bargaining ability of our customers when entering into construction contracting contracts with us.

The following tables set out the amounts of contract assets as of the dates indicated:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contract assets arising from:				
Construction contracting	613,184	914,037	785,692	957,318
Impairment	—	—	(647)	(1,820)
Total	**613,184**	**914,037**	**785,045**	**955,498**

Our contract assets increased from RMB613.2 million as of December 31, 2016 to RMB914.0 million as of December 31, 2017, primarily because we experienced delay in invoicing in 2017. Our contract assets decreased from RMB914.0 million as of December 31, 2017 to RMB785.0 million as of December 31, 2018, primarily due to a large amount of invoices issued in 2018 to our customers for a portion of our construction works in 2017 and 2018. Our contract assets increased from RMB785.0 million as of December 31, 2018 to RMB955.5 million as of April 30, 2019, primarily due to the pace of certain construction projects exceeding the pace of progress billing.

As of August 31, 2019, RMB93.1 million or 9.7% of our contract assets as of April 30, 2019 was billed, of which RMB91.1 million or 9.5% of our contract assets as of April 30, 2019 was then settled. The relative slow billing of contract assets as of April 30, 2019 was primarily due to (i) the fact that the construction project owners would normally conduct inspection on the progress of the construction projects in the fourth quarter of the year or around year-end more often than the first half of the year and therefore the billing in the first half of the year would be less accordingly; and (ii) a relatively long period of time take by certain project owners to complete internal approval procedures with respect to our proposed billing amount before we formally issues bills based on the progress of the construction projects certified by the project owners, which further increases the period of time from the inspection and certification by project owners to the billing by us. To facilitate the settlement of our contract assets, we endeavour to (i) urge customers to conduct inspection and acceptance procedures as to the progress of construction projects; and (ii) expedite issuing the relevant bills and invoices and collection of payment on our end.

Other Payables and Accruals

Our other payables and accruals mainly comprise contract liabilities, amount due to related parties, other payables, accrued salaries, wages and benefits, and other tax payable. The following table sets forth the components of our other payables, deposits and accruals as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities	934,111	1,715,337	2,072,263	2,128,006
Amount due to related parties	1,989	2,407	86,795	99,127
Other payables	73,674	176,876	207,675	225,256
Accrued salaries, wages and benefits	4,291	6,617	5,235	6,608
Other taxes payable	37,385	98,472	140,681	138,417
Total	**1,051,450**	**1,999,709**	**2,512,649**	**2,597,414**

Our contract liabilities represent (i) advance received from customers for construction contracts when the pace of progress billings exceeds the pace of relevant construction projects, which amounted to RMB80.9 million, RMB87.7 million and RMB121.6 million and RMB155.8 million, as of December 31, 2016, 2017, 2018 and April 30, 2019 respectively; and (ii) pre-sale proceeds in relation to property sales contracts, which amounted to RMB853.2 million, RMB1,627.6 million, RMB1,950.6 million and RMB1,972.2 million, as of December 31, 2016, 2017, 2018 and April 30, 2019 respectively. During the Track Record Period, our contract liabilities increased from RMB934.1 million to RMB1,715.3 million, RMB2,072.3 million, and further to RMB2,128.0 million, primarily due to pre-sale and sales of our property development projects, including Tianbao Lingyun City, Tianbao Green City, Tianbao New City Phrase III, Mingyang Phase I and Tianbao Edelweiss City (Residential Community).

Our other payables mainly comprise loans related to construction projects and loans from third parties, deposits from subcontractors and others. During the Track Record Period, our other payables increased from RMB73.7 million to RMB176.9 million, RMB207.7 million, and further to RMB225.3 million, which were in line with the expansion of our property development business and construction contracting business.

Our amount due to related parties increased from RMB2.0 million as of December 31, 2016 to RMB2.4 million as of December 31, 2017, to RMB86.8 million as of December 31, 2018, and further to RMB99.1 million as of April 30, 2019. Our amount due to related parties of RMB99.1 million as of April 30, 2019 had been fully settled in cash by our internal resources. We did not draw down any loan facilities to repay such amount. These amounts were the increased interest-free funds transfer from the related parties. See "— Related-party Transactions" in this section for details.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements through cash flows from operations and bank borrowings. 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 operations. We expect these sources to continue to be our principal sources of liquidity, and we may use a portion of the proceeds from the Global Offering to finance a portion of our capital requirements.

Net Current Assets/(Liabilities)

The table below sets forth our current assets, current liabilities and net current assets as of the dates indicated:

	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	492	1,014	719	—	15
Trade receivables	236,092	235,419	321,440	141,712	163,193
Contract assets	613,184	914,037	785,045	955,498	937,748
Properties under development	536,771	1,415,599	2,594,931	2,641,928	3,059,814
Completed properties held for sale	167,633	293,231	54,120	170,122	135,165
Prepayments, other receivables and other assets	995,990	1,070,296	1,805,275	350,037	419,291
Tax recoverable	29,011	72,286	82,841	91,366	89,607
Pledged deposits	42,152	133,861	120,598	146,854	153,107
Cash and cash equivalents	42,438	68,963	98,833	79,615	76,266
Assets of a disposal group classified as held for sale	—	—	7,944	—	—
Total current assets	2,663,763	4,204,706	5,871,746	4,577,132	5,034,206

	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 LIABILITIES					
Trade payables	951,188	1,348,904	1,098,162	1,087,004	1,331,696
Other payables and accruals	1,051,450	1,999,709	2,512,649	2,597,414	2,772,213
Interest-bearing bank borrowings	—	—	469,000	714,000	764,000
Tax payable	55,699	81,649	128,170	172,472	181,573
Liabilities of a disposal group classified as held for sale	—	—	6,303	—	—
Total current liabilities	2,058,337	3,430,262	4,214,284	4,570,890	5,049,482
NET CURRENT ASSETS/ (LIABILITIES)	605,426	774,444	1,657,462	6,242	(15,276)

Our net current assets increased from RMB605.4 million as of December 31, 2016 to RMB774.4 million as of December 31, 2017, primarily due to (i) an increase in properties under development by RMB878.8 million mainly related to our property development projects of Tianbao Edelweiss City, Tianbao New City Phase II and III, Tianbao Green City, Tianbao Lingyun City, and Tianbao Jingbei Health City and (ii) an increase in contract assets by RMB300.9 million, which were partially offset by (i) an increase in other payables and accruals by RMB948.3 million mainly as a result of an increase in the contract liabilities of RMB781.2 million driven by the growth of our property development business and (ii) an increase in trade payables by RMB397.7 million.

Our net current assets increased from RMB774.4 million as of December 31, 2017 to RMB1,657.5 million as of December 31, 2018, primarily due to (i) an increase in prepayments, other receivables and other assets by RMB735.0 million mainly as a result of an increase in the advance to related parties of RMB653.0 million and (ii) an increase in properties under development by RMB1,179.3 million mainly related to our property development projects of Tianbao Edelweiss City, Tianbao New City Phase II and III, Tianbao Green City, Tianbao Lingyun City, and Tianbao Jingbei Health City, which were partially offset by (i) an increase in other payables and accruals by RMB512.9 million and (ii) interest-bearing bank and other borrowings of RMB46.9 million in 2018.

Our net current assets decreased from RMB1,657.5 million as of December 31, 2018 to RMB6.2 million as of April 30, 2019, primarily due to a decrease in prepayments, other receivables and other assets of RMB1,455.2 million mainly as a result of the repayment of the advance to related parties RMB1,429.3 million.

We recorded net current liabilities of RMB15.3 million as of August 31, 2019 compared to net current assets of RMB6.2 million as of April 30, 2019, primarily due to (i) the increase in trade payables of RMB244.7 million to our suppliers in connection with our construction projects; and (ii) the increase in other payables and accruals of RMB174.8 million mainly as a result of the increase in RMB132.8 million in contract liabilities in connection with our construction contracting business, partially offset by the increase in properties under development of RMB417.9 million which mainly related to Tianbao Edelweiss City (Residential Community) (天保雪絨花都(住宅)), Tianbao New City Phase III (天保新城三期), Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目), Tianbao Jingbei Health City (Commercial Section) (天保京北健康城(商業部分)) and Tianbao Green City (天保綠城).

We recorded net current liabilities as of August 31, 2019 mainly because we recorded the proceeds from pre-sales of properties as other payables and accruals under current liabilities, which will subsequently be recognized as revenue upon meeting the revenue recognition criteria.

We intend to improve our cash flow by enhancing the payment collection from our customers associated with pre-sales and sales of properties and construction contracting business. We will also closely monitor the cash flow of both our property development business and construction contracting business and their effect on our liquidity position. We plan to satisfy our working capital requirement, including repayment obligations arising from our bank loans, principally through proceeds from pre-sales and sales of properties, new bank borrowings or refinancings and other borrowings and the net proceeds from the Global Offering.

Cash Flows

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

	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**
Selected cash flow statement data					
Operating cash flows before movements in working capital	38,655	158,609	145,732	123,550	107,173
Net cash generated from/(used in) operating activities	165,020	(194,751)	(665,669)	(363,135)	(86,164)
Net cash (used in)/generated from investing activities	(155,232)	95,342	(675,355)	(367,572)	1,497,525
Net cash (used in)/generated from financing activities	(8,391)	125,934	1,373,338	724,631	(1,433,023)
Net increase/(decrease) in cash and cash equivalents	1,397	26,525	32,314	(6,076)	(21,662)
Cash and cash equivalents at the beginning of year or period	41,041	42,438	68,963	68,963	101,277
Cash and cash equivalents at the end of year	42,438	68,963	101,277	62,887	79,615

Net Cash Generated from/(used in) Operating Activities

Cash flow from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as changes in fair value of investment properties and impairment and reversal of impairment of trade receivables; (ii) the effects of movements in working capital, such as changes in other payables and accruals and properties under development; and (iii) other cash items, including income tax paid and interest income.

We recorded net operating cash outflows for the years ended December 31, 2017, 2018 and the four months ended April 30, 2019, primarily due to the increase in properties under development and completed properties held for sale in 2017 and 2018 and the four months ended April 30, 2019 as well as the increase in our contract assets in 2017 and the four months ended April 30, 2019.

In the four months ended April 30, 2019, our net cash used in operating activities was RMB86.2 million, primarily attributable to our profit before tax from continuing operations of RMB93.7 million, as adjusted by: (i) income tax paid of RMB25.5 million; and (ii) changes in working capital, which primarily comprised an increase in contract assets of RMB171.5 million due to our increased project volume and scale of construction projects, including Jingdu Real Estate Residence Project (京都置業住宅項目) and Pengbo Bishui Lanwan Residence (鵬渤碧水藍灣住宅小區) and an increase in completed properties held for sale of RMB116.0 million as we completed and delivered Tianbao Lingyun City (天保淩雲城) in the four months ended April 30, 2019, partially offset by a decrease in trade receivables of RMB172.5 million.

In 2018, our net cash used in operating activities was RMB665.7 million, primarily attributable to our profit before tax from continuing operations of RMB181.7 million, as adjusted by: (i) income tax paid of RMB45.3 million; and (ii) changes in working capital, which primarily comprised an increase in properties under development of RMB1,179.3 million due to our increased property development activities related to Tianbao Green City (天保綠城), Tianbao Lingyun City (天保淩雲城), Tianbao Edelweiss City (Residential Community) (天保雪絨花都(住宅)), Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目), Tianbao Jingbei Health City (Commercial Section) (天保京北健康城(商業部分)) and Tianbao New City Phase III (天保新城三期) and a decrease in trade payables of RMB250.8 million, partially offset by the increase in other payables and accruals of RMB432.4 million and a decrease in completed properties held for sale of RMB239.1 million.

In 2017, our net cash used in operating activities was RMB194.8 million, primarily attributable to our profit before tax from continuing operations of RMB130.9 million, as adjusted by: (i) income tax paid of RMB81.8 million; and (ii) changes in working capital, which primarily comprised an increase in properties under development of RMB878.8 million due to our increased property development activities related to Tianbao Green City (天保綠城), Tianbao Lingyun City (天保淩雲城), Tianbao Edelweiss City (Residential Community) (天保雪絨花都(住宅)), Zhangbei Fuxinyuan Shanty-town Improvement Project (張北縣福馨苑棚戶區改造項目), Tianbao Jingbei Health City (Commercial Section) (天保京北健康城(商業部分)) and Tianbao New City Phase III (天保新城三期) and an increase in contract assets of RMB300.9 million due to our increased project volume and scale of construction projects, including Zizhuyuan Residence (紫竹園住宅小區項目) and Jingdu High-rise Apartments (京都高層住宅樓項目), partially offset by the increase in other payables and accruals of RMB947.8 million and an increase in trade payables of RMB397.7 million.

In 2016, our net cash generated from operating activities was RMB165.0 million, primarily attributable to our profit before tax from continuing operations of RMB66.3 million, as adjusted by: (i) income tax paid of RMB52.7 million; and (ii) changes in working capital, which primarily comprised an increase in other payables and accruals of RMB431.1 million and a decrease in contract assets of RMB45.0 million, partially offset by the increase in properties under development of RMB194.5 million and an increase in trade receivables of RMB132.5 million.

Net Cash (Used in)/Generated from Investing Activities

In the four months ended April 30, 2019, our net cash generated from investing activities was RMB1,497.5 million, primarily consisting of repayments of advances to related parties of RMB1,529.6 million partially offset by advance to related parties of RMB100.2 million.

In 2018, our net cash used in investing activities was RMB675.4 million, primarily consisting of advances to related parties of RMB995.5 million, partially offset by repayments of advances to related parties of RMB342.4 million.

In 2017, our net cash generated from investing activities was RMB95.3 million, primarily consisting of repayments of advances to related parties of RMB223.1 million, partially offset by advances to related parties of RMB108.3 million.

In 2016, our net cash used in investing activities was RMB155.2 million, primarily consisting of advances to related parties of RMB424.9 million and purchases of available-for-sale investments of RMB120.0 million, partially offset by repayments of advances to related parties of RMB420.4 million.

Net Cash (Used in)/Generated from Financing Activities

In the four months ended April 30, 2019, our net cash used in financing activities was RMB1,433.0 million, primarily consisting of the deemed distribution of RMB1,338.5 million for the settlement of the consideration payable for our acquisition of Tianbao Corporate Management as part of the Reorganization, repayments of interest-bearing bank borrowings of RMB100.0 million and repayments of advances from related parties of RMB96.7 million, partially offset by advance from related parties of RMB109.1 million.

In 2018, our net cash generated from financing activities was RMB1,373.3 million, primarily consisting of additions of interest-bearing bank borrowings of RMB700.0 million and capital contribution by shareholders of RMB600.0 million.

In 2017, our net cash generated from financing activities was RMB125.9 million, primarily consisting of additions of interest-bearing bank borrowings of RMB130.0 million, partially offset by interest paid of RMB4.5 million.

In 2016, our net cash used in financing activities was RMB8.4 million, primarily consisting of repayments of interest-bearing bank borrowings of RMB93.0 million, partially offset by additions of interest-bearing bank borrowings of RMB90.0 million.

Working Capital

During the Track Record Period, we have met our working capital needs mainly from our cash and cash equivalents on hand, cash generated from operations, and interest-bearing bank borrowings. As of December 31, 2016, 2017, 2018 and April 30, 2019, we had cash and cash equivalents of RMB42.4 million, RMB69.0 million, RMB98.8 million and RMB79.6 million, respectively.

In 2017, 2018 and the four months ended April 30, 2019, we recorded net operating cash outflows primarily due to our continued increase in property development activities. Such cash outflows may not always be completely offset by the proceeds received from our pre-sales and sales of the properties for the respective period. See "— Liquidity and Capital Resources — Cash Flows — Net cash Generated from/(used in) Operating Activities" for details.

We plan to satisfy our working capital requirement, including repayment obligations arising from our bank loans, principally through proceeds from pre-sales and sales of properties, new bank borrowings or re-financings and other borrowings and the net proceeds from the Global Offering. We intend to improve our cash inflow associated with pre-sales and sales of properties and income from construction constructing business by enhancing the payment collection from our customers. We will also closely monitor the cash flow of both our property development business and construction contracting business and their effect on our liquidity position. Our Directors expect that we will have sufficient cash inflow from pre-sales and sales of properties which are currently under development. We have been constantly seeking different means of financing opportunities, including seeking more bank facilities, as one of the measures to mitigate the liquidity risks.

Sufficiency of Working Capital

We monitor our cash flows and cash balance on a regular basis and seek to maintain optimal level of liquidity that can meet our working capital needs while supporting a healthy level of business and our various growth strategies. In the future, we intend to finance our operations through cash generated from operating activities, interest-bearing bank and other borrowings, as well as through the proceeds from the Global Offering. Other than normal bank borrowings that we obtain from commercial banks and potential debt financing plans, we do not expect to have any material external debt financing plan in the near future.

Taking into account the estimated net proceeds from the Global Offering (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), our available banking facilities and cash flows from our operations, our Directors are of the opinion that we have sufficient working capital to meet our financial requirements for at least the next 12 months from the date of this prospectus.

CAPITAL EXPENDITURES

In the past, we incurred capital expenditures primarily for property, plant and equipment, prepaid land leases and investment properties. The following table sets forth the components of our capital expenditures for the periods indicated:

	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
Property, plant and equipment	2,012	28,027	25,433	9,346	16,379
Intangible assets	3	5	820	3	—
Investment properties	29,317	—	—	—	—
Total	**31,332**	**28,032**	**26,253**	**9,349**	**16,379**

We estimate that our capital expenditures in for the year ending December 31, 2019 will be approximately RMB53.2 million, which will be mainly used for the construction of Haiziwa Hotel. These capital expenditures will be financed by our own funds.

Although these are our current plans with respect to our capital expenditures, such plans may change as a result of a change of circumstances, and the actual amount of expenditures set out above may vary from the estimated amount of expenditures for a variety of reasons, including changes in market conditions, competition 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 a variety of uncertainties, including our future results of operations, financial condition and cash flows, and economic, political and other conditions in China and globally.

INDEBTEDNESS

The following table sets forth details of our interest-bearing bank and other borrowings as of the dates indicated:

	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					
Bank loans — secured	—	—	350,000	350,000	350,000
Current portion of long-term bank loans — secured	—	—	119,000	364,000	414,000
Sub-total	—	—	469,000	714,000	764,000
Non-current					
Bank loans — secured	90,000	220,000	445,000	100,000	120,000
Sub-total	90,000	220,000	445,000	100,000	120,000
Total	**90,000**	**220,000**	**914,000**	**814,000**	**884,000**

Mr. Li, our Controlling Shareholder, and his associates, have guaranteed our bank borrowings of RMB90.0 million, RMB220.0 million, RMB914.0 million and RMB529.0 million as of December 31, 2016, 2017, 2018 and April 30, 2019, respectively. As of August 31, 2019, RMB529.0 million of our bank borrowings was guaranteed by Mr. Li and his associates. Mr. Li's guarantee on our bank borrowings as of August 31, 2019 will be released prior to the Listing.

The following table sets forth the maturity profile of our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year or on demand	—	—	469,000	714,000
In the second year	—	90,000	395,000	100,000
In the third to fifth years, inclusive	90,000	130,000	50,000	—
Total	**90,000**	**220,000**	**914,000**	**814,000**

The following table sets forth the actual interest rate range of our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	%	%	%	%
Current				
Bank loans — secured			5.66	5.66
Current portion of long-term bank loans — secured			4.75	4.75–8.00
Non-current				
Bank loans — secured	4.75	4.75	4.75–8.00	4.75

The following table sets forth the carrying amounts of assets that we had pledged to secure general banking facilities as of the dates indicated:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	19,995	19,537	66,038	64,381
Investment properties	—	—	134,029	137,665
Properties under development	71,295	145,613	600,410	514,388
Total	**91,290**	**165,150**	**800,477**	**716,434**

Our interest-bearing bank borrowings increased from RMB814.0 million as of April 30, 2019 to RMB884.0 million as of August 31, 2019, primarily due to the increase in interest-bearing bank borrowings of RMB70.0 million. Our interest-bearing bank borrowings decreased by RMB100.0 million from RMB914.0 million as of December 31, 2018 to RMB 814.0 million as of April 30, 2019, primarily due to repayment of bank loans of RMB100.0 million.

Our interest-bearing bank borrowings increased by RMB694.0 million from RMB220.0 million as of December 31, 2017 to RMB914.0 million as of December 31, 2018, primarily due to bank loans of RMB424.0 million for developing Tianbao Green City. Our interest-bearing bank borrowings increased by RMB130.0 million from RMB90.0 million as of December 31, 2016 to RMB220.0 million as of December 31, 2017, due to a bank loan of RMB130.0 million for developing the first phase of Tianbao Green City in 2017. As of August 31, 2019, the latest practicable date for the purpose of our indebtedness statement, we had no unutilized banking facilities.

We are subject to certain customary restrictive covenants under our bank borrowings with commercial banks. For example, the bank loan agreements provided that the borrower is prohibited from merger, spin-off, material asset transfer, liquidation, reduction of registered capital, change of scope of business, and declaration of dividends without the prior consent of or notifying the relevant banks. Certain of our banking loans also contain cross default provisions. However, our Directors do not expect that such covenants would materially restrict our overall ability to undertake additional debt or equity financing necessary to carry out our current business plans. Our Directors confirmed that they are not aware of any breach of any of the covenants contained in our bank loans constituting any event of default during the Track Record Period and up to the Latest Practicable Date. Except for incurring additional bank borrowings, we currently have no material external debt financing plan before or shortly after the Global Offering.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we were not involved in any material legal, arbitration or administrative proceedings which, if adversely determined, we expect would materially adversely affect our financial position or results of operations.

Mortgage guarantees

We have provided guarantees in respect of mortgage facilities for certain purchasers of our properties amounting to approximately RMB458.3 million, RMB893.4 million, RMB870.9 million and RMB855.8 million as of December 31, 2016, 2017, 2018 and April 30, 2019, respectively.

Our guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of property ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

Our Directors consider that the fair value of the guarantees is not significant, and in case of default on payments, the net realizable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made during the Track Record Period.

Financial guarantee contracts

Our financial guarantee provided for in the financial statements were as follows:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to:				
— Companies controlled by Mr. Li and his respective close associates	124,000	124,000	159,000	128,000

As of April 30, 2019, the amount of guarantees given by us to banks in connection with facilities granted to related parties was RMB128.0 million. Our Directors confirmed that the remaining of RMB128.0 million would be released prior to the Listing.

Our Directors confirm that there has been no material adverse change in our contingent liabilities since April 30, 2019 to the date of this prospectus.

Save as otherwise disclosed in "Indebtedness" and "Contingent Liabilities" in this section, as of August 31, 2019, the latest practicable date for the purpose of our indebtedness statement, we had no other debt securities, borrowings, indebtedness, mortgages or guarantees. Since August 31, 2019, there has been no material adverse change in our indebtedness.

COMMITMENTS

Operating Lease Commitments

We lease our investment properties under operating lease arrangements. As of the dates indicated, we had contracted with tenants for the following future minimum lease payments:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within one year	3,996	6,402	7,510	7,768
In the second to fifth years, inclusive	5,586	5,338	5,303	5,618
After five years	1,145	1,145	1,370	804
Total	**10,727**	**12,885**	**14,183**	**14,190**

Capital Commitments

In addition to the operating lease commitments, we had the following commitments as of the dates indicated:

	As of December 31,			As of April 30,
	2016	**2017**	**2018**	**2019**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Contracted, but not provided for:				
Construction contracting	18,942	49,599	133,310	163,815

OFF-BALANCE SHEET ARRANGEMENTS

Except for the contingent liabilities disclosed above, as of April 30, 2019, being the date of our most recent financial statements, we did not have any off-balance sheet arrangements.

FINANCIAL RATIOS

The table below sets forth a summary of our key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,			As of or for the four months ended April 30,
	2016	2017	2018	2019
Current ratio (times)[(1)]	1.29	1.23	1.39	1.00
Gearing ratio (%)[(2)]	9.9	22.8	54.4	207.2
Net gearing ratio (%)[(3)]	0.6	1.8	41.4	149.5
Return on equity (%)[(4)]	4.2	6.3	8.2	N/A
Return on total assets (%)[(5)]	1.3	1.5	2.0	N/A
Gross profit margin (%)[(6)]	7.9	16.1	11.9	22.7
Net profit margin (%)[(7)]	4.6	4.9	6.8	9.8

Notes:

(1) Current ratios were calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates.

(2) Gearing ratios were calculated by total interest-bearing bank borrowings divided by total equity as of the end of the respective periods and multiplied by 100%.

(3) Net gearing ratios were calculated as total interest-bearing bank borrowings less cash and bank balances and pledged deposits divided by total equity as of the end of the respective periods and multiplied by 100%.

(4) Return on equity was calculated based on the profit for the respective periods divided by the total equity as of the respective periods (sum of opening and closing balances of the total equity of the respective periods and then divided by two) and multiplied by 100%.

(5) Return on total assets was calculated based on the net profit for the respective periods divided by the average total assets of the respective periods (sum of opening and closing balances of the total assets of the respective periods and then divided by two) and multiplied by 100%.

(6) Gross profit margin was calculated on gross profit divided by revenue from the continuing operations for the respective period.

(7) Net profit margin was calculated on profit for the year/period divided by revenue from the continuing operations for the respective period.

Current ratios

Our current ratio decreased from 1.29 as of December 31, 2016 to 1.23 as of December 31, 2017, mainly due to an increase in the in contract liability, particularly the part of advances received from customers in 2017. Our current ratio increased from 1.23 as of December 31, 2017 to 1.39 as of December 31, 2018, respectively, mainly due to an increase of project under development. Our current ratio decreased from 1.39 as of December 31, 2018 to 1.00 as of April 30, 2019, mainly due to the significant decrease in the prepayments, other receivables and other assets as a result of the repayment of the advance to related parties.

Gearing ratio

Our gearing ratio increased from 9.9% as of December 31, 2016 to 22.8% as of December 31, 2017, and further increased to 54.4% as of December 31, 2018 mainly because we increased interest-bearing bank borrowings during the Track Record Period. Our gearing ratio increased significantly from 54.4% as of December 31, 2018 to 207.2% as of April 30, 2019, mainly because our total equity significantly decreased from RMB1,678.9 million as of December 31, 2018 to RMB392.9 million as of April 30, 2019 as a result of our deemed distribution of approximately RMB1,338.5 million used for the settlement of the consideration payable by our Company for its acquisition of Tianbao Corporate Management as part of the Reorganization.

Net gearing ratio

Our net gearing ratio increased from 0.6% as of December 31, 2016 to 1.8% as of December 31, 2017, and increased to 41.4% as of December 31, 2018 mainly because we increased interest-bearing bank borrowings during the Track Record Period. Our net gearing ratio increased significantly from 41.4% as of December 31, 2018 to 149.5% as of April 30, 2019, mainly because our total equity significantly decreased from RMB1,678.9 million as of December 31, 2018 to RMB392.9 million as of April 30, 2019 as a result of the reasons stated above.

Return on equity

Our return on equity increased from 4.2% in 2016 to 6.3% in 2017, and further increased to 8.2% in 2018, mainly attributable to the increase in our profit outpaced the increase in our equity. Our profit increased from RMB38.0 million in 2016 to RMB60.2 million in 2017 and further increased to RMB109.6 million in 2018 which were mainly driven by our property development business. Our equity increased from RMB905.0 million in 2016 to RMB964.3 million in 2017 and further increased to RMB1,678.9 million in 2018, which were mainly due to the retained profits generated during the Track Record Period and the capital contribution of RMB600.0 million by shareholders in 2018. During the Track Record Period, the increase in the retained profits was primarily due to the increase in our total revenue. Our total revenue increased from RMB800.2 million in 2016 to RMB1,202.3 million in 2017 and further increased to RMB1,601.7 million in 2018, primarily because we undertook increased volume of construction projects and those with increased scale and we completed and delivered more property projects.

Return on total asset

Our return on total assets increased from 1.3% in 2016 to 1.5% in 2017, mainly attributable a substantial increase in our project under development as of December 31, 2017. Our return on total assets increased from 1.5% in 2017 to 2.0% in 2018, mainly attributable to a substantial increase in our profit.

Gross profit margin

Our gross profit margin was 7.9%,16.1%, 11.9%, 22.7% in 2016, 2017, 2018 and the four months ended April 30, 2019, respectively.

The improvement of our gross profit margin from 2016 to 2017 was mainly due to the (i) increased GFA delivered of Tianhe Penghua in 2017, which mainly consists of multi-story apartments with higher recognized ASP; and (ii) we undertook more construction contracting projects with higher gross profit margin in 2017.

The decrease of our gross profit margin from 2017 to 2018 was mainly attributable to the fact that the recognized sales of properties were mainly from Tianbao New City Phase II, which is a project in Zhangjiakou mainly consisting of high-rise apartments with lower recognized ASP.

The increase of our gross profit margin from 20.6% in the four months ended April 30, 2018 to 22.7% in the same period in 2019 was mainly attributable to that Tianbao Lingyun City (天保凌雲城), a residential project with relatively high recognized ASP, was completed and started to delivered to customers in April 2019.

Net profit margin

Our net profit margin was approximately 4.6%, 4.9%, 6.8% and 9.8% in 2016, 2017, 2018 and the four months ended April 30, 2019, respectively.

The improvement of our net profit margin from 2016 to 2018 was mainly due to (i) the fair value gains on investment properties during this period; and (ii) the reversal of impairment losses on financial and contract assets, net of RMB10.6 million in 2018.

The decrease of our net profit margin from 11.3% in the four months ended April 30, 2018 to 9.8% in the same period in 2019 was mainly attributable to the increase in the administrative expenses, impairment losses on financial and contract assets, net, and share of loss of associates.

LISTING EXPENSES

The estimated total listing expenses in relation to the Global Offering are estimated to be approximately RMB84.7 million (based on the midpoint of our indicative Offer Price range for the Global Offering and assuming that the Over-allotment Option is not exercised). These listing expenses mainly comprise sponsor fees, underwriting commissions, and professional fees paid/payable to legal advisors, our reporting accountants and professional parties for their services rendered in relation to the Listing and the Global Offering, of which approximately RMB50.5 million will be deducted from our equity. Approximately RMB3.9 million and RMB3.1 million have been charged to our consolidated statements of profit or loss in 2018 and the four months ended April 30, 2019 and the remaining balance of approximately RMB27.2 million will be charged to our consolidated statements of profit or loss for 2019. Our Directors expect such expenses would not materially adversely impact our results of operations for the year ending December 31, 2019.

MARKET RISK DISCLOSURE

We are exposed to various types of market risks in the ordinary course of our business, including interest rate risk, credit risk and liquidity risk. We manage our exposure to these and other market risks through regular operating and financial activities.

Interest Risk

Our exposure to risk for changes in market interest rates relates primarily to our interest-bearing bank borrowings set out in note 30 in the Accountants' Report in Appendix I to this prospectus. We do not use derivative financial instruments to hedge interest rate risk. We manage our interest cost using variable rate bank borrowings.

If the interest rate of bank borrowings had increased/decreased by 1% and all other variables held constant, our profit before tax, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB613,000, RMB448,000, RMB505,000 and RMB688,000 for 2016, 2017, 2018 and the four months ended April 30, 2019, respectively.

Credit Risk

Under IAS 39

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations from January 1, 2016 to December 31, 2017. The Group has no significant concentration of credit risk. The carrying amount of the trade receivables represents the Group's maximum exposure to credit risk in relation to such financial assets. The Group has policies to ensure that sales are made to customers with an appropriate credit history.

The credit risk of the Group's other financial assets, which mainly comprise restricted cash, pledged deposits, cash and cash equivalents, financial assets included in prepayments, other receivables and other assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments as of December 31, 2016 and 2017.

Under IFRS 9

The carrying amounts of pledged deposits, cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as of December 31, 2018 and April 30, 2019.

As of December 31, 2018 and April 30, 2019, all pledged deposits and cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other assets as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. As of December 31, 2018 and as of April 30, 2019, the Group classified financial assets included in prepayments, other receivables and other assets in stage 1 and continuously monitored their credit risk. The gross carrying amount of RMB1,640,068,000 as of December 31, 2018 and RMB144,474,000 as of April 30, 2019 represent the maximum exposure to credit risk. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments, other receivables and other assets.

Further quantitative data in respect of our exposure to credit risk arising from trade and bills receivables and other receivables are respectively disclosed in notes 25 and 26 in the Accountants' Report in Appendix I to this prospectus.

Liquidity Risk

The liquidity of the Group is primarily dependent on our ability to maintain adequate cash inflows from operations to meet our debt obligations as they fall due, and our ability to obtain external financing to meet our committed future capital expenditure.

The maturity profile of our financial liabilities as of the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

December 31, 2016

	On demand or no fixed terms of repayments	Within one year	Over one year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to related parties	—	124,000	—	124,000
Guarantees in respect of mortgage facilities	458,290	—	—	458,290
Trade payables	—	951,188	—	951,188
Financial liabilities included in other payables and accruals	75,663	—	—	75,663
Interest-bearing bank borrowings	—	3,564	94,079	97,643
	533,953	**1,078,752**	**94,079**	**1,706,784**

December 31, 2017

	On demand or no fixed terms of repayments	Within one year	Over one year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to related parties	—	113,000	—	113,000
Guarantees in respect of mortgage facilities	893,443	—	—	893,443
Trade payables	—	1,348,904	—	1,348,904
Financial liabilities included in other payables and accruals	179,283	—	—	179,283
Interest-bearing bank borrowings	—	9,739	228,214	237,953
	1,072,726	**1,471,643**	**228,214**	**2,772,583**

December 31, 2018

	On demand or no fixed terms of repayments	Within one year	Over one year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to related parties	—	148,000	—	148,000
Guarantees in respect of mortgage facilities	870,896	—	—	870,896
Trade payables	—	1,098,162	—	1,098,162
Other payables	294,470	—	—	294,470
Interest-bearing bank borrowings	—	490,122	455,531	945,653
	1,165,366	**1,736,284**	**455,531**	**3,357,181**

April 30, 2019

	On demand or no fixed terms of repayments	Within one year	Over one year	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Guarantees given to banks in connection with facilities granted to related parties	—	128,000	—	128,000
Guarantees in respect of mortgage facilities	855,833	—	—	855,833
Trade payables	—	1,087,004	—	1,087,004
Other payables	324,383	—	—	324,383
Interest-bearing bank borrowings	—	714,000	100,000	814,000
	1,180,216	1,929,004	100,000	3,209,220

PROPERTY INTEREST AND PROPERTY VALUATION

Our selective property interests are set forth in the Property Valuation Report in Appendix III to this prospectus. Jones Lang LaSalle Corporate Appraisal and Advisory Limited has valued our selective property interests as of August 31, 2019. A summary of values and valuation certificates issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited is included in the Property Valuation Report set forth in Appendix III to this prospectus.

A reconciliation of our selective property interests as of August 31, 2019 and such property interests in our consolidated financial statements as of April 30, 2019 as required under Rule 5.07 of the Listing Rules is set forth below:

	(RMB'000)
Net book value of selective property interests as of April 30, 2019	3,081,547
Additions	538,729
Sold	36,426
Net book value as of August 31, 2019	3,583,850
Valuation surplus as of August 31, 2019	2,313,150
Valuation as of August 31, 2019	5,897,000

DIVIDEND AND DISTRIBUTABLE RESERVES

As of the Latest Practicable Date, our Company had no distributable reserve available for distribution to our Shareholders.

We did not declare any dividends during the Track Record Period. We have no fixed dividend policy and, subject to compliance with the relevant laws of the Cayman Islands and the Articles, the Board has discretion in determining whether to recommend a declaration of any dividend for any period, and the amount of dividend to be paid. In determining any dividend payment, the Board will evaluate our Company's earnings, cash flow, financial condition, capital requirements, prevailing economic conditions, and any other factors that our Directors deem relevant. There can be, however, no assurance that dividends will be paid in any amount in the future, or at all.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following of unaudited pro forma statement of adjusted net tangible assets attributable to the Shareholders 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 the Shareholders of our Company as of April 30, 2019 as if the Global Offering had taken place on April 30, 2019.

The 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 of April 30, 2019 or at any future date.

	Consolidated net tangible assets attributable to Shareholders of the Company as of April 30, 2019(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share	
		RMB'000		RMB(3)	HK$(4)
Based on an Offer Price of HK$2.16 per Offer Share, after a Downward Offer Price Adjustment of 10%	392,120	330,241	722,361	0.90	1.00
Based on Offer Price of HK$2.39 per Offer Share	392,120	368,302	760,422	0.95	1.05
Based on Offer Price of HK$3.10 per Offer Share	392,120	485,793	877,913	1.10	1.22

(1) The consolidated net tangible assets of the Group attributable to the owners of the Company as of April 30, 2019 is extracted from the Accountants' Report in Appendix I to this prospectus, which is based on the consolidated net assets attributable to the Shareholders of the Company as of April 30, 2019 of RMB392,910,000 after deducting intangible assets of RMB790,000.

(2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK$2.39 per Share and HK$3.10 per Share and also based on an Offer Price of HK$2.16 per Offer Share after making a Downward Offer Price Adjustment of 10%, after deducting of the underwriting fees and other related expenses payable by the Company, without taking account of the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into Renminbi at the PBOC rate of RMB1.00 = HK$1.1094 prevailing on October 21, 2019. No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to RMB, or *vice versa*, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share is arrived are by dividing the unaudited pro forma adjusted net tangible assets by 800,000,000 Shares, being the number of shares in issue assuming that the Capitalization Issue and Global Offering had been completed on April 30, 2019, without taking account of the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share amounts in RMB are converted into Hong Kong dollars at the PBOC rate of RMB1.00 = HK$1.1094 prevailing on October 21, 2019. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted to RMB, or *vice versa*, at that rate or at any other rates or at all.

(5) No adjustments have been made to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transaction of the Group entered into subsequent to April 30, 2019.

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to Rules 13.19 of the Hong Kong Listing Rules.

RELATED-PARTY TRANSACTIONS

The related party transactions during the Track Record Period are as set forth in note 39 to the Accountants' Report in Appendix I.

Our non-trade amounts of outstanding balances with related parties mainly represented interest-free fund transfers with the directors, companies controlled by the Controlling Shareholder and the Controlling Shareholder's close relative associates, senior management and companies controlled by the senior management. We recorded non-trade advance to related parties of RMB891.1 million, RMB776.3 million, RMB1,429.3 million and nil as of December 31, 2016, 2017, 2018 and April 30, 2019, respectively. Non-trade amounts due to related parties amounted to RMB2.0 million, RMB2.4 million, RMB86.8 million and RMB99.1 million as of December 31, 2016, 2017, 2018 and April 30, 2019, respectively. Our amount due to Mr. Li of RMB99.1 million as of April 30, 2019 had been fully settled in cash by our internal resources. We did not draw down any loan facilities to repay such amount.

NO MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial and trading position or prospects since April 30, 2019, and there is no event since April 30, 2019 which would materially affect the information shown in the Accountants' Report in Appendix I to this prospectus.

FUTURE PLANS

See "Business — Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$2.75 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus, and assuming the Over-allotment Option is not exercised, we currently intend to use such net proceeds from the Global Offering as follows:

- approximately 50%, or HK$228.1 million (equivalent to approximately RMB205.6 million), is expected to be used to increase our land reserves by seeking and acquiring land parcels in cities in Beijing-Tianjin-Hebei Region to further expand our property development business into cultural-tourism properties and healthcare properties. Please see "Business — Our Business Strategies — Increase our land reserves and expand our operations in the Beijing-Tianjin-Hebei Region and Sichuan Province where we believe to have profitable opportunities and focus on property development featuring cultural-tourism, healthcare and commercial complexes" for details;

- approximately 20%, or HK$91.2 million (equivalent to approximately RMB82.2 million), is expected to fund the construction of our property projects under development including Tianbao Hushan Yard (天保湖山大院) and Zhangbei Zhongdu Garden (中都莊園). Please see "Busines — Property Development Business — Our Project Portfolio - Portfolio of Our Property Development Projects" for details;

- approximately 20%, or HK$91.2 million (equivalent to approximately RMB82.2 million), is expected to be used to fund construction projects in our backlog as of the Latest Practicable Date, which mainly include the building construction projects and infrastructure construction projects in Hebei province; and

- approximately 10%, or HK$45.6 million (equivalent to approximately RMB41.1 million), is expected to be used for working capital and general corporate purposes.

We estimate that we will receive from the Global Offering net proceeds, after deducting the underwriting fees and estimated expenses payable by us in connection with the Global Offering, in the amount as set forth in the following table:

	Based on the low-end of the indicative Offer Price range of HK$2.39	**Based on the mid-end of the indicative Offer Price range of HK$2.75**	**Based on the high-end of the indicative Offer Price range of HK$3.10**
Assuming the Over-allotment Option is not exercised	Approximately HK$390.0 million	Approximately HK$456.1 million	Approximately HK$520.4 million
Assuming the Over-allotment Option is exercised in full	Approximately HK$455.8 million	Approximately HK$531.8 million	Approximately HK$605.7 million

To the extent that the net proceeds from the Global Offering (including the net proceeds from the exercise of the Over-allotment Option) are either more or less than expected, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis. If we make a Downward Offer Price Adjustment to set the final Offer Price at HK$2.16 per Offer Share, the estimated net proceeds we will receive from the Global Offering will be further reduced by an additional amount of approximately HK$48.5 million (assuming the Over-allotment Option is fully exercised) or approximately HK$42.2 million (assuming the Over-allotment Option is not exercised). To the extent our net proceeds are further reduced we will decrease the intended use of our net proceeds for the above purposes on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately used for the above purposes, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed commercial banks or other authorized financial institutions.

HONG KONG UNDERWRITERS

ABCI Securities Company Limited
Guotai Junan Securities (Hong Kong) Limited
BOCOM International Securities Limited
Haitong International Securities Company Limited
ZJKF Securities Investment (Hong Kong) Limited
CRIC Securities Company Limited
Zhongtai International Securities Limited
Livermore Holdings Limited
Yue Xiu Securities Company Limited
HTF Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 20,000,000 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 granting listing of, and permission to deal in, our Shares in issue and to be offered as mentioned herein (including the additional Shares which may be made available pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly 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 and subject to 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, among 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 Shares commences on the Stock Exchange:

(a) there develops, occurs, exists or comes into force:

  (i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, 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 Cayman Islands, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, 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 and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labour disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, 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, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or

(iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or

(v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Governmental Authority (as defined in the Hong Kong Underwriting Agreement), New York (imposed at Federal or New York State level or other competent Governmental Authority), London, the PRC, the European Union (or any member thereof), Japan or any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or

(vi) any (A) change or prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change 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 United States dollars or RMB is linked to any foreign currency or currencies), or (B) any change or prospective change in Taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) the issue or requirement to issue by the Company of a supplemental or amendment to this prospectus, Application Forms, preliminary offering circular or offering circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or

(viii) any change or development involving a prospective change which has the effect of materialisation of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) any litigation or claim being threatened or instigated against any member of the Group or any Director; or

(x) any contravention by any member of the Group, any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or any other Laws (as defined in the Hong Kong Underwriting Agreement); or

(xi) any executive Directors, the chief executive officer or the chief finance officer of the Company vacating his or her office; or

(xii) a Governmental Authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any member of the Group or any Director; or

(xiii) any of the Chairman, Directors, chief executive officer or chief financial officer of the Company vacating his or her office, or any litigation or claim being threatened or instigated against, or a Governmental Authority or a regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or action or other Proceedings (as defined in the Hong Kong Underwriting Agreement), or announcing an intention to investigate or take other action or Proceedings against any members of the Group or any of the Chairman, chief executive officer or the Directors of the Company, or any of them being charged with an indictable offence or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any of the Chairman, Directors, chief executive officer or chief financial officer or any announcement by any governmental, political, regulatory body that it intends to take any such action; or

(xiv) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any member of the Group (including any litigation or claim of any third party being threatened or instigated against any member of the Group); or

(xv) any 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

(xvi) any order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

(xvii) a prohibition on the Company for whatever reason from allotting, issuing or selling the Shares (including the Shares which the Company may be required to issue upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xviii) the imposition of sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Company or any member of the Group,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of 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 to any present or prospective shareholder of the Company in its capacity as such; 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 the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it or may make it impracticable or inadvisable or incapable 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; or (D) would have or may have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents 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 the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(i) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the preliminary offering circular and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications so issued or used are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or

(ii) 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 Listing Rules or any other applicable Law; or

(iii) 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 the Offering Documents, constitutes a material omission therefrom; or

(iv) 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 and the Controlling Shareholders or (ii) any of the representations, warranties and undertakings given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

(v) any event, act or omission which gives or is likely to give rise to any liability of the Company and the Controlling Shareholders pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement; or

(vi) any litigation or dispute or potential litigation or dispute, which would materially affect the operation, financial condition, reputation of the Group, or composition of the board of the Company, Tianbao Construction Group or Tianbao Property Development; or

(vii) any material breach of any of the obligations of the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(viii) a material portion of the orders placed or confirmed in the book-building process, or the investment commitments by any corporate or cornerstone investors, have been withdrawn, terminated or cancelled; or

(ix) any expert, whose consent is required for the issue of this prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Joint Sponsors) prior to the issue of this prospectus; or

(x) any Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement); or

(xi) Admission (as defined in the Hong Kong Underwriting Agreement) 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

(xii) the Company has withdrawn the Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering,

then the Joint Global Coordinators may, for themselves and on behalf of the Hong Kong Underwriters, in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

In accordance with Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that (except pursuant to the Global Offering and the Over-allotment Option) at any time during the period commencing on the Listing Date and ending on the expiry of the six-month period after the Listing Date, our Company will not, without the prior consent of the Stock Exchange and unless in compliance with the requirements of the Listing Rules, allot or issue or agree to allot or issue any Shares or other securities convertible into equity securities of our Company (including warrants or other convertible securities and whether or not such allotment or issuance of shares or securities will be completed within six months from the Listing Date), whether or not of a class already listed, except in certain circumstances prescribed in Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has irrevocably and unconditionally undertaken to the Hong Kong Stock Exchange and to our Company that, except pursuant to the Global Offering and the Over-allotment Option, it/he shall not and shall procure that the relevant registered holder(s) controlled by it/him shall not, unless in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference (the "**Reference Date**") to which disclosure of its/his shareholding is made in this prospectus and ending on the date (the "**End Date**") which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances (save as pursuant to a pledge or charge as security 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) in respect of, any of those securities of our Company in respect of which it/he is shown by this prospectus to be the beneficial owner (the "**Relevant Securities**"); and

(ii) in the period of six months commencing on the End Date, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances (save as pursuant to a pledge or charge as security 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) in respect of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, Rule 10.07 does not prevent a Controlling Shareholder from using the Shares beneficially owned by it/him as security (including a charge or pledge) 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.

In accordance with Note (3) to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to the Hong Kong Stock Exchange and to our Company that within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, it/he shall:

(i) when it/he or the relevant registered holder(s) controlled by it/him pledges or charges any Shares beneficially owned by it/him in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong), pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and

(ii) when it/he receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company in writing of such indications.

Our Company will inform the Hong Kong Stock Exchange as soon as our Company have been informed of the matters referred to in paragraphs (i) and (ii) above (if any) by any of our Controlling Shareholders and make a public disclosure in relation to such information by way of an announcement in accordance with the Listing Rules.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

Our Company has also undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Share Option Scheme), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the "**First Six Month Period**"), it will not, and will procure that other members of the Group will not (and each of the Controlling Shareholders shall procure that the Company will not itself and will procure that other members of the Group not to) without the prior written consent (with such consent not be unreasonably withheld) of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the 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, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable), or deposit any share capital or other equity securities of the Company or any shares or other equity securities of such other member of the Group, 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 (legal or beneficial) of the Shares or any other equity securities of the Company or any shares or other equity securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any equity 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 any shares of such other member of the Group, as applicable); 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 foregoing transactions is to be settled by delivery of share capital or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the First Six Month Period). The Company further agrees that, in the event the Company is allowed to enter into any of the transactions described in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the "**Second 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 the Controlling Shareholders

Each of the Controlling Shareholders undertakes to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement), 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 Listing Rules:

(a) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling the First Six Month Period, it will not, and will procure that none of its associates will,

(i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of its share capital or other securities of the Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); 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 (legal or beneficial) of such share capital or securities or any interest therein, 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 Shares); or

(iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or

(iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions 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 equity securities will be completed within the First Six Month Period); and

(b) during the Second Six Month Period, it will not, and will procure that none of its associates will enter into any transaction described in (a) above or agree or contract to or announce any intention to enter into any such transaction if, immediately following any sale, transfer or disposal upon the exercise or enforcement of any option, right, interest or Encumbrance (as defined in the Hong Kong Underwriting Agreement) pursuant to such transaction, any of the Controlling Shareholders would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company; and

(c) until the expiry of the Second Six-Month Period, in the event that it/he enters into any such transactions specified in (a) and (b) above or agrees or contracts to, or announces an intention to enter into any such transactions, each of the Controlling Shareholders will take all reasonable steps to ensure that it/he will not create a disorderly or false market in the securities of the Company.

Indemnity

Each of the Company and the Controlling Shareholders has jointly and severally undertaken, from time to time, to indemnify, among others, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements, as the case may be.

The International Offering

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, 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.

Our 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 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 30,000,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the Offer Price to cover over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 2.50% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our 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 and not the Hong Kong Underwriters. Our Company may, at our sole and absolute discretion, pay to the Joint Global Coordinators for their respective accounts an incentive fee up to 1.30% of the Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK$2.75 per Share (being the mid-point of the indicative Offer Price range of HK$2.39 to HK$3.10), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK$93.9 million in total.

Each of the Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters and the International Underwriters for certain losses which they may suffer, including liabilities under the U.S. Securities Act, losses incurred arising from their performance of their obligations under the Underwriting Agreements and any breach by our Company of the Underwriting Agreements.

Activities by Syndicate Members

Our Company describes below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members", and their affiliates may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

The Syndicate Members (except for Guotai Junan Securities (Hong Kong) Limited, as the Stabilization Manager, its affiliates 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 all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

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 relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the 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 Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the 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 or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant 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 of these activities may occur both during and after the end of the stabilizing period described in the sections headed "Structure and Conditions of the Global Offering — The International Offering — Over-allotment Option" and "Structure and Conditions of the Global Offering — The International Offering — Stabilization". These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Other Services to our Company

Certain of the Joint Global Coordinators, the Hong Kong Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and its respective affiliates, for which such Joint Global Coordinators, Hong Kong Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Joint Global Coordinators, the Joint Bookrunners and the Underwriters

The Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters or their respective affiliates may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this prospectus. Such Joint Global Coordinators, Joint Bookrunners, the Joint Lead Managers and Underwriters or their respective affiliates may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our Shares.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in the sections headed "Structure and Conditions of the Global Offering — The International Offering — Stabilization", and "Structure and Conditions of the Global Offering — The International Offering — Over-allotment Option" in this prospectus.

Sponsor's Independence

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

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:

(i) the Hong Kong Public Offering of initially 20,000,000 Offer Shares in Hong Kong as described below in the paragraph headed "— The Hong Kong Public Offering" below; and

(ii) the International Offering of initially 180,000,000 Offer Shares, consisting of the offering of our Shares outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Global Coordinators, as representative of the International Underwriters, have an option to require our Company to issue and allot up to 30,000,000 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to cover over-allocations (if any) in the International Offering. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option.

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% of the enlarged issued share capital of our 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 issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "— The International Offering — 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 paragraph headed "— The Hong Kong Public Offering — Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 20,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 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 2.5% of our Company's total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers and 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 the paragraph headed "— The International Offering — Conditions of the Hong Kong Public Offering" below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such 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.

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: 10,000,000 Offer Shares for pool A and 10,000,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and 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 the brokerage, SFC transaction levy and 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 (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (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. Multiple or suspected multiple applications and any application for more than 10,000,000 Offer Shares are liable to be rejected.

Reallocation

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 to the 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 to be offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached to the effect as further described below (the "**Mandatory Reallocation**"):

(i) 20,000,000 Offer Shares are initially available in the Hong Kong Public Offering, representing 10% of the Offer Shares initially available under the Global Offering;

in the event that the International Offer Shares are fully subscribed or oversubscribed,

(ii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer 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 60,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

(iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer 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 80,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and

(iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer 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 100,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors. Subject to the foregoing paragraph, the Joint Global Coordinators and the Joint Sponsors may in 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. In addition, if the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators and the Joint Sponsors have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators and the Joint Sponsors deem appropriate.

In addition to any Mandatory Reallocation which may be required, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and the Joint Sponsors may, at their discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering and in accordance with Guidance Letter HKEx-GL91-18. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, in accordance with Guidance Letter HKEx-GL91-18, up to 20,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and without taking into account any options which may be granted under the Share Option Scheme, and the final Offer Price would be set at HK$2.39 per Offer Share, being the low-end of the indicative Offer Price range, or the final Offer Price after making a Downward Offer Price Adjustment).

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application 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 it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.39 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "— The International Offering — Pricing of the Global Offering" below, is less than the maximum price of HK$3.10 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and 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" in this prospectus.

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 and the Over-allotment Option, the International Offering will consist of an aggregate of 180,000,000 Offer Shares to be initially offered by our Company.

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 and 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 the paragraph headed "— The International Offering — 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 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 our 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, our Company is 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 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 30,000,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the Offer Price to cover over-allocations (if any) in the International Offering. 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 Capitalization Issue and the Global Offering and the full exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

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 securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilization Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilization Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilization Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilization Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilization Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilization Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 30,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

(a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;

(b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;

(c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option, in order to close out any position established under (a) or (b) above;

(d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimizing any reduction in the market price;

(e) selling the Shares to liquidate a long position held as a result of those purchases; and

(f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilization Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilization Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilization Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilization Manager and is uncertain. In the event that the Stabilization Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilization Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Wednesday, December 4, 2019. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilization Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilization Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price. Bids for or market purchases of the Shares by the Stabilization Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance will be made within seven days of the expiration of the stabilizing period.

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 Monday, November 4, 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$3.10 per Offer Share and is expected to be not less than HK$2.39 per Offer 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 (subject to a Downward Offer Price Adjustment).**

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 investors during the book-building process, and with the consent of the Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

In such situation, the Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.chinatbjt.com** an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on November 8, 2019. The Offer Price announced following the making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilized.

If, for any reason, the Joint Global Coordinators, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by Tuesday, November 5, 2019, the Global Offering will not become unconditional and will lapse immediately.

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 offered in 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 a case, our Company will, 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, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange **(www.hkexnews.hk)** and on the website of our Company **(www.chinatbjt.com)** notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or 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 a 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 will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon between 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 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 and subject certain conditions, 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 commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$390.0 million, assuming an Offer Price per Offer Share of HK$2.39, or approximately HK$520.4 million, assuming an Offer Price per Offer Share of HK$3.10 (or if the Over-allotment Option is exercised in full, approximately HK$455.8 million, assuming an Offer Price per Offer Share of HK$2.39, or approximately HK$605.7 million, assuming an Offer Price per Offer Share of HK$3.10).

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Friday, November 8, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange **(www.hkexnews.hk)** and on the website of our Company (**www.chinatbjt.com**).

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in "Underwriting" in this prospectus.

Shares will be eligible for CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the 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 Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the 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.

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 Stock Exchange granting listing of, and permission to deal in, (a) the Shares in issue and being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and (b) the Shares which may be issued under the Share Option Scheme;

(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.

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) on or before Tuesday, November 5, 2019, the Global Offering will not proceed and will lapse.

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 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 the section headed "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 banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Friday, November 8, 2019 but will only become valid certificates of title at 8:00 a.m. on Monday, November 11, 2019 provided that (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus has not been exercised.

Dealings in the Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, November 11, 2019, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, November 11, 2019.

The Shares will be traded in board lots of 1,000 Shares each and the stock code of the Shares will be 1427.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in 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.

Our 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);
- are not a legal or natural person of the PRC;
- are not an existing Shareholder and/or his/her/its close associate;
- are not a core connected person of our Company and will not become a core connected person of our Company immediately upon completion of the Global Offering; and
- have not been allocated and have not applied for or indicated interest in any Offer Share under the International Offering.

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 its discretion and on any conditions it thinks 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 **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/or its/his/her close associate;
- are a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; and
- 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 between 9:00 a.m. from Wednesday, October 30, 2019 until 12:00 noon on Monday, November 4, 2019 from:

(i) any of the following offices of the Hong Kong Underwriters:

ABCI Securities Company Limited
10/F., Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Guotai Junan Securities (Hong Kong) Limited
27/F., Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

BOCOM International Securities Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

ZJKF Securities Investment (Hong Kong) Limited
Unit 21C, Level 12, Infinitus Plaza
199 Des Voeux Road Central
Sheung Wan
Hong Kong

CRIC Securities Company Limited
Room 2007&2403, Great Eagle Centre
23 Harbour Road
Wan Chai
Hong Kong

Zhongtai International Securities Limited
19 Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Yue Xiu Securities Company Limited
13/F, YueXiu Building
160 Lockhart Road
Wanchai
Hong Kong

HTF Securities Limited
Unit 1807, 18/F., Office Tower, Convention Plaza
1 Harbour Road
Wan Chai
Hong Kong

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

	Branch Name	**Address**
Hong Kong Island	Des Voeux Road West Branch	111–119 Des Voeux Road West
	Taikoo Shing Branch	Shop G1006, Hoi Shing Mansion, Taikoo Shing
Kowloon	Lam Tin Branch	Shop 12, 49 Kai Tin Road, Lam Tin
	Mei Foo Mount Sterling Mall Branch	Shop N47–49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen
	Tsim Sha Tsui East Branch	Shop 3, LG/F, Hilton Towers, 96 Granville Road, Tsim Sha Tsui East
New Territories	Tai Po Branch	68–70 Po Heung Street, Tai Po Market
	Metro City Branch	Shop 209, Level 2, Metro City Phase 1, Tseung Kwan O
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. from Monday, October 28, 2019 until 12:00 noon on Thursday, October 31, 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 cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — CHINA TIANBAO 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:

- Wednesday, October 30, 2019 — 9:00 a.m. to 5:00 p.m.
- Thursday, October 31, 2019 — 9:00 a.m. to 5:00 p.m.
- Friday, November 1, 2019 — 9:00 a.m. to 5:00 p.m.
- Saturday, November 2, 2019 — 9:00 a.m. to 1:00 p.m.
- Monday, November 4, 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 Monday, November 4, 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.

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 our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our 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 Memorandum and the Articles of Association;

(ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum 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 our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 our Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors 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 our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors 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 Forms;

(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 our Company to place your name(s) or the name of the HKSCC Nominees on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any Share certificate(s) and/or 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 our 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 Terms and Conditions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" in this 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. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** service 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 at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, October 30, 2019 until 11:30 a.m. on Monday, November 4, 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, November 4, 2019 or such later time under the "Effect of Bad Weather on the Opening of the Application 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 payment 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, our 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 **White Form eIPO** service is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2 for each "CHINA TIANBAO GROUP DEVELOPMENT COMPANY LIMITED" **White Form eIPO** application submitted via **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 Centre
30/F, One 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 our Company, the Joint Global Coordinators and our Hong Kong 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 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;

- 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 our 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 our Company to place HKSCC Nominees' name on our 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 our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors 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 our Company, our Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors 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 our 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 our 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 our Company, for itself and for the benefit of each Shareholder (and so that our 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 Memorandum 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.

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 our 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 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 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 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 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:

- Wednesday, October 30, 2019 — 9:00 a.m. to 8:30 p.m.
- Thursday, October 31, 2019 — 8:00 a.m. to 8:30 p.m.
- Friday, November 1, 2019 — 8:00 a.m. to 8:30 p.m.
- Saturday, November 2, 2019 — 8:00 a.m. to 1:00 p.m.
- Monday, November 4, 2019 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, October 30, 2019 until 12:00 noon on Monday, November 4, 2019 (24 hours daily, except on Monday, November 4, 2019, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, November 4, 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.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

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, our 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 our Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and any of their respective advisors 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 service **White Form eIPO** service is also only a facility provided by the **White Form eIPO** service 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. Our 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 Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, November 4, 2019.

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 or by giving electronic application instructions to HKSCC or through **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 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 PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for 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 1,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 1,000 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 Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure and Conditions of the Global Offering — The Hong Kong Public Offering — Allocation" in this prospectus.

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,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, November 4, 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 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 Monday, November 4, 2019 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our 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 Friday, November 8, 2019 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at **www.chinatbjt.com** and the website of the 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 our Company's website at **www.chinatbjt.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, November 8, 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 Friday, November 8, 2019 to 12:00 midnight on Thursday, November 14, 2019;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, November 8, 2019, to Monday, November 11, 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, November 8, 2019 to Monday, November 11, 2019 at all the receiving banks designated branches.

If our 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 and Conditions 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 HONG KONG 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 to 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 our 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 press 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 our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** service 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 Stock Exchange does not grant permission to list the 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 our 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 cheque or banker's cashier order paid by you is dishonored upon its first presentation;

- the Underwriting Agreements do not become unconditional or are terminated;

- our Company or the Joint Global Coordinators believe that by accepting your application, it/they would violate applicable securities or other laws, rules or regulations; or

- your application is for more than 50% of the Hong Kong Public 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 of HK$3.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions 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 Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Friday, November 8, 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 Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the 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, 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 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 dispatch/collection of Share certificates and refund cheque(s) as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Friday, November 8, 2019. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, November 11, 2019 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so 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 Pubic Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Hong Kong Share Registrar, 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 Friday, November 8, 2019 or such other date as notified by our Company 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 Hong Kong 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 despatched 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 Share certificate(s) will be sent to the address on the relevant Application Form on or before Friday, November 8, 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 for collecting refund cheque. 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 Friday, November 8, 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 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 Friday, November 8, 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 Public Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

  Our 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 "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, November 8, 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 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, 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 Friday, November 8, 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your 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 Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, November 8, 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 despatched 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 despatched 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 Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your 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 Friday, November 8, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our 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 "11. Publication of Results" above on Friday, November 8, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, November 8, 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 Friday, November 8, 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 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 Friday, November 8, 2019.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the 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 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 advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The Directors
China Tianbao Group Development Company Limited
ABCI Capital Limited
Guotai Junan Capital Limited

Dear Sirs,

We report on the historical financial information of China Tianbao Group Development Company Limited (中國天保集團發展有限公司, the ''Company'') and its subsidiaries (together, the ''Group'') set out on pages I-5 to I-89, which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 (the ''Relevant Periods''), and the consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019, and the statement of financial position of the Company as at 31 December 2018 and 30 April 2019, 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-16 to I-89 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 October 2019 (the ''Prospectus'') in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the ''Stock Exchange'').

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors 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 the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, 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 purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 December 2016, 2017 and 2018 and 30 April 2019, the financial position of the Company as at 31 December 2018 and 30 April 2019, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative 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 inquiries, 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 Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

ADJUSTMENTS

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

DIVIDENDS

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

NO HISTORICAL FINANCIAL STATEMENTS FOR THE COMPANY

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

30 October 2019

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the ''Underlying Financial Statements'').

The Historical Financial Information is presented in Renminbi (''RMB'') and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(A) CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Four months ended 30 April 2018 RMB'000 (Unaudited)	2019 RMB'000
CONTINUING OPERATIONS						
REVENUE	5	800,192	1,202,278	1,601,739	660,534	544,426
Cost of sales		(737,351)	(1,008,691)	(1,411,815)	(524,471)	(420,722)
Gross Profit		62,841	193,587	189,924	136,063	123,704
Other income and gains	5	9,343	4,796	16,920	1,262	2,458
Selling and distribution expenses		(4,354)	(7,586)	(5,629)	(1,980)	(2,668)
Administrative expenses		(23,205)	(28,222)	(42,522)	(10,262)	(15,859)
(Impairment losses)/reversal of impairment losses on financial and contract assets, net		(729)	(26,781)	10,625	(5,798)	(10,298)
Fair value gains on investment properties	15	28,743	2,600	19,400	7,000	3,700
Other expenses		(229)	(3,015)	(1,998)	(1,527)	(457)
Finance costs	7	(6,129)	(4,484)	(5,050)	(1,437)	(6,875)
Share of loss of an associate		—	(15)	—	—	—
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	66,281	130,880	181,670	123,321	93,705
Income tax expense	10	(28,314)	(70,649)	(72,036)	(47,998)	(40,246)
PROFIT FOR THE YEAR/ PERIOD FROM CONTINUING OPERATIONS		37,967	60,231	109,634	75,323	53,459
DISCONTINUED OPERATIONS						
Loss for the year/period from discontinued operations	11	(787)	(893)	(1,427)	(775)	(62)
PROFIT FOR THE YEAR/ PERIOD		37,180	59,338	108,207	74,548	53,397
Attributable to:						
Owners of the parent		37,133	59,460	108,207	74,548	53,397
Non-controlling interests		47	(122)	—	—	—
		37,180	59,338	108,207	74,548	53,397
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted	13	N/A	N/A	N/A	N/A	N/A

(B) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
PROFIT FOR THE YEAR/PERIOD	37,180	59,338	108,207	74,548	53,397
OTHER COMPREHENSIVE INCOME					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Equity investments designated at fair value through other comprehensive income:					
Changes in fair value	—	—	2,564	1,820	4,000
Income tax effect	—	—	(641)	(455)	(1,000)
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	—	—	1,923	1,365	3,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD	37,180	59,338	110,130	75,913	56,397
Attributable to:					
Owners of the parent	37,133	59,460	110,130	75,913	56,397
Non-controlling interests	47	(122)	—	—	—
	37,180	59,338	110,130	75,913	56,397

(C) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December			30 April
		2016	**2017**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*14*	120,214	144,402	164,314	178,700
Investment properties	*15*	114,400	117,000	136,400	140,100
Prepaid land lease payments	*16*	36,123	34,860	33,597	10,923
Intangible assets		20	22	814	790
Investment in an associate	*17*	—	145	—	—
Equity investments designated at fair value through other comprehensive income	*21*	—	—	136,391	140,000
Available-for-sale investments	*21*	128,100	128,100	—	—
Deferred tax assets	*23*	—	1,512	15,601	33,840
Total non-current assets		398,857	426,041	487,117	504,353
CURRENT ASSETS					
Inventories	*18*	492	1,014	719	—
Trade receivables	*25*	236,092	235,419	321,440	141,712
Contract assets	*19*	613,184	914,037	785,045	955,498
Properties under development	*22*	536,771	1,415,599	2,594,931	2,641,928
Completed properties held for sale	*24*	167,633	293,231	54,120	170,122
Prepayments, other receivables and other assets	*26*	995,990	1,070,296	1,805,275	350,037
Tax recoverable	*10*	29,011	72,286	82,841	91,366
Pledged deposits	*27*	42,152	133,861	120,598	146,854
Cash and cash equivalents	*27*	42,438	68,963	98,833	79,615
		2,663,763	4,204,706	5,863,802	4,577,132
Assets of a disposal group classified as held for sale	*11*	—	—	7,944	—
Total current assets		2,663,763	4,204,706	5,871,746	4,577,132

		31 December			30 April
		2016	**2017**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES					
Trade payables	*28*	951,188	1,348,904	1,098,162	1,087,004
Other payables and accruals	*29*	1,051,450	1,999,709	2,512,649	2,597,414
Interest-bearing bank borrowings	*30*	—	—	469,000	714,000
Tax payable	*10*	55,699	81,649	128,170	172,472
		2,058,337	3,430,262	4,207,981	4,570,890
Liabilities of a disposal group classified as held for sale	*11*	—	—	6,303	—
Total current liabilities		2,058,337	3,430,262	4,214,284	4,570,890
NET CURRENT ASSETS		605,426	774,444	1,657,462	6,242
TOTAL ASSETS LESS CURRENT LIABILITIES		1,004,283	1,200,485	2,144,579	510,595
NON-CURRENT LIABILITIES					
Interest-bearing bank borrowings	*30*	90,000	220,000	445,000	100,000
Deferred tax liabilities	*23*	9,313	16,177	20,658	17,685
Total non-current liabilities		99,313	236,177	465,658	117,685
Net assets		904,970	964,308	1,678,921	392,910
EQUITY					
Equity attributable to owners of the parent					
Share capital	*31*	—	—	—	—
Reserves	*32*	904,586	964,046	1,678,921	392,910
		904,586	964,046	1,678,921	392,910
Non-controlling interests		384	262	—	—
Total Equity		904,970	964,308	1,678,921	392,910

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent									
	Share capital RMB'000 note 31	Capital reserve* RMB'000 note 32(a)	Merger reserve* RMB'000 note 32(b)	Special reserve* RMB'000 note 32(c)	Statutory surplus reserve* RMB'000 note 32(d)	Equity instruments revaluation reserve* RMB'000 note 32(e)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	—	2,701	755,000	—	15,853	—	93,899	867,453	337	867,790
Profit and total comprehensive income for the year	—	—	—	—	—	—	37,133	37,133	47	37,180
Appropriations to statutory surplus reserve	—	—	—	—	5,623	—	(5,623)	—	—	—
Transfer to special reserve	—	—	—	12,630	—	—	(12,630)	—	—	—
Utilisation of special reserve	—	—	—	(12,630)	—	—	12,630	—	—	—
As at 31 December 2016 and 1 January 2017	—	2,701	755,000	—	21,476	—	125,409	904,586	384	904,970
Profit and total comprehensive income for the year	—	—	—	—	—	—	59,460	59,460	(122)	59,338
Appropriations to statutory surplus reserve	—	—	—	—	8,019	—	(8,019)	—	—	—
Transfer to special reserve	—	—	—	16,559	—	—	(16,559)	—	—	—
Utilisation of special reserve	—	—	—	(16,559)	—	—	16,559	—	—	—
As at 31 December 2017	—	2,701	755,000	—	29,495	—	176,850	964,046	262	964,308

	Attributable to owners of the parent									
	Share capital RMB'000 note 31	Capital reserve* RMB'000 note 32(a)	Merger reserve* RMB'000 note 32(b)	Special reserve* RMB'000 note 32(c)	Statutory surplus reserve* RMB'000 note 32(d)	Equity instruments revaluation reserve* RMB'000 note 32(e)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
As at 31 December 2017	—	2,701	755,000	—	29,495	—	176,850	964,046	262	964,308
Effect of adoption of IFRS 9	—	—	—	—	—	4,745	—	4,745	—	4,745
At 1 January 2018 (restated)	—	2,701	755,000	—	29,495	4,745	176,850	968,791	262	969,053
Profit for the year	—	—	—	—	—	—	108,207	108,207	—	108,207
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	1,923	—	1,923	—	1,923
Total comprehensive income	—	—	—	—	—	1,923	108,207	110,130	—	110,130
Capital contribution by shareholders	—	—	600,000	—	—	—	—	600,000	—	600,000
Disposal of subsidiaries	—	—	—	—	—	—	—	—	(262)	(262)
Appropriations to statutory surplus reserve	—	—	—	—	14,148	—	(14,148)	—	—	—
Transfer to special reserve	—	—	—	21,639	—	—	(21,639)	—	—	—
Utilisation of special reserve	—	—	—	(21,639)	—	—	21,639	—	—	—
As at 31 December 2018	—	2,701	1,355,000	—	43,643	6,668	270,909	1,678,921	—	1,678,921

	Attributable to owners of the parent									
	Share capital *RMB'000* *note 31*	Capital reserve* *RMB'000* *note 32(a)*	Merger reserve* *RMB'000* *note 32(b)*	Special reserve* *RMB'000* *note 32(c)*	Statutory surplus reserve* *RMB'000* *note 32(d)*	Equity instruments revaluation reserve* *RMB'000* *note 32(e)*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
As at 31 December 2017	—	2,701	755,000	—	29,495	—	176,850	964,046	262	964,308
Effect of adoption of IFRS 9	—	—	—	—	—	4,745	—	4,745	—	4,745
At1 January 2018 (restated)	—	2,701	755,000	—	29,495	4,745	176,850	968,791	262	969,053
Profit for the period (unaudited)	—	—	—	—	—	—	74,548	74,548	—	74,548
Change in fair value of equity investments designated at fair value through other comprehensive income, net of tax (unaudited)	—	—	—	—	—	1,365	—	1,365	—	1,365
Total comprehensive income (unaudited)	—	—	—	—	—	1,365	74,548	75,913	—	75,913
Capital contribution by shareholders (unaudited)	—	—	400,000	—	—	—	—	400,000	—	400,000
Transfer to special reserve (unaudited)	—	—	—	6,754	—	—	(6,754)	—	—	—
Utilisation of special reserve (unaudited)	—	—	—	(6,754)	—	—	6,754	—	—	—
As at 30 April 2018 (unaudited)	—	2,701	1,155,000	—	29,495	6,110	251,398	1,444,704	262	1,444,966

	Attributable to owners of the parent									
	Share capital	**Capital reserve***	**Merger reserve***	**Special reserve***	**Statutory surplus reserve***	**Equity instruments revaluation reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	note 31	*note 32(a)*	*note 32(b)*	*note 32(c)*	*note 32(d)*	*note 32(e)*				
As at 31 December 2018 and 1 January 2019	—	2,701	1,355,000	—	43,643	6,668	270,909	1,678,921	—	1,678,921
Profit for the period	—	—	—	—	—	—	53,397	53,397	—	53,397
Change in fair value of equity investments at fair value through other comprehensive income, net of tax	—	—	—	—	—	3,000	—	3,000	—	3,000
Total comprehensive income	—	—	—	—	—	3,000	53,397	56,397	—	56,397
Disposal of equity investments designated at fair value through other comprehensive income, net of tax	—	—	—	—	—	457	—	457	—	457
Deemed distribution upon the Reorganisation	—	12,135	(1,355,000)	—	—	—	—	(1,342,865)	—	(1,342,865)
Transfer to special reserve	—	—	—	8,511	—	—	(8,511)	—	—	—
Utilisation of special reserve	—	—	—	(8,511)	—	—	8,511	—	—	—
As at 30 April 2019	—	14,836	—	—	43,643	10,125	324,306	392,910	—	392,910

* As at 31 December 2016, 2017 and 2018 and 30 April 2019, these reserve accounts comprise the consolidated reserves of RMB904,586,000, RMB964,046,000, RMB1,678,921,000 and RMB392,910,000 in the consolidated statements of financial position, respectively.

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Four months ended 30 April 2018 RMB'000 (Unaudited)	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax:						
from continuing operations		66,281	130,880	181,670	123,321	93,705
from discontinued operations	11	(784)	(841)	(1,322)	(669)	(62)
Adjustments for:						
Finance cost	7	6,129	4,484	5,050	1,437	6,875
Share of loss from investment in an associate	17	—	15	—	—	—
Interest income		(882)	(2,519)	(2,798)	(249)	(219)
Dividend income from available-for-sale investments/equity investments designated at fair value through other comprehensive income	5	(8,425)	(2,226)	(13,270)	(900)	(420)
Gain on disposal of subsidiaries	36	—	—	(490)	—	(1,534)
Depreciation	14	2,576	3,858	5,213	1,386	1,945
Changes in fair value of investment properties		(28,743)	(2,600)	(19,400)	(7,000)	(3,700)
Amortisation of prepaid land lease payments and other intangible assets		1,263	1,265	1,289	422	291
Impairment losses/(reversal of impairment losses) of trade receivables		1,124	17,828	(10,648)	4,354	8,581
Impairment losses of contract assets		—	—	647	1,503	1,173
Impairment losses/(reversal of impairment losses) of prepayments, other receivables and other assets		116	8,465	(639)	(81)	538
Loss on disposal of items of property, plant and equipment	6	—	—	430	26	—
		38,655	158,609	145,732	123,550	107,173
(Increase)/decrease in inventories		(459)	(522)	295	922	719
(Increase)/decrease in trade receivables		(132,517)	(17,155)	(76,657)	7,815	172,531
Decrease/(increase) in contract assets		44,963	(300,853)	128,205	10,796	(171,486)
Increase in properties under development		(194,505)	(878,828)	(1,179,332)	(241,072)	(46,997)
Decrease/(increase) in completed properties held for sale		41,317	(125,598)	239,111	231,903	(116,002)
Increase/(decrease) in prepayments, other receivables and other assets		24,918	(204,930)	(75,339)	(346,132)	(35,609)
(Increase)/decrease in pledged deposits		(11,385)	(91,709)	13,263	10,779	(26,256)
(Decrease)/increase in trade payables		(25,258)	397,716	(250,849)	(100,968)	(13,547)
Increase/(decrease) in other payables and accruals		431,094	947,842	432,381	(44,646)	68,604
Cash generated from/(used in) operations		216,823	(115,428)	(623,190)	(347,053)	(60,870)
Income tax paid		(52,685)	(81,842)	(45,277)	(16,331)	(25,513)
Interest received		882	2,519	2,798	249	219
Net cash flows generated from/(used in) operating activities		165,020	(194,751)	(665,669)	(363,135)	(86,164)

		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES						
Dividends received from available-for-sale investments/equity investments designated at fair value through other comprehensive income		300	8,726	2,525	2,525	12,790
Purchase of items of property, plant and equipment		(1,999)	(28,042)	(23,870)	(9,346)	(16,379)
Proceeds from disposal of items of property, plant and equipment		318	—	100	49	104
Purchase of items of intangible assets		(8)	(5)	(1,045)	(3)	—
Additions of investment properties	*15*	(29,317)	—	—	—	—
Additions of investment in an associate		—	(160)	—	—	—
Disposal of subsidiaries, net of cash	*36*	—	—	(18)	—	48,339
Disposal of prepaid land lease payment		—	—	—	—	23,331
Purchases of available-for-sale investments		(120,000)	—	—	—	—
Advances to related parties	*39*	(424,880)	(108,304)	(995,458)	(466,324)	(100,228)
Repayments of advances to related parties	*39*	420,354	223,127	342,411	105,527	1,529,568
Net cash flows (used in)/generated from investing activities		(155,232)	95,342	(675,355)	(367,572)	1,497,525
CASH FLOWS FROM FINANCING ACTIVITIES						
Deemed distribution upon Reorganisation		—	—	—	—	(1,338,480)
Additions of interest-bearing bank borrowings		90,000	130,000	700,000	300,000	—
Repayments of interest-bearing bank borrowings		(93,000)	—	(6,000)	—	(100,000)
Advances from related parties	*39*	738	418	84,559	26,068	109,065
Repayments of advances from related parties	*39*	—	—	(171)	—	(96,733)
Capital contribution by shareholders		—	—	600,000	400,000	—
Interest paid		(6,129)	(4,484)	(5,050)	(1,437)	(6,875)
Net cash flows (used in)/generated from financing activities		(8,391)	125,934	1,373,338	724,631	(1,433,023)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,397	26,525	32,314	(6,076)	(21,662)
Cash and cash equivalents at the beginning of year/period		41,041	42,438	68,963	68,963	101,277

	Notes	Year ended 31 December 2016 RMB'000	2017 RMB'000	2018 RMB'000	Four months ended 30 April 2018 RMB'000 (Unaudited)	2019 RMB'000
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD		42,438	68,963	101,277	62,887	79,615
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		84,590	202,824	219,431	185,969	226,469
Less: pledged deposits		(42,152)	(133,861)	(120,598)	(123,082)	(146,854)
Cash and cash equivalents as stated in the consolidated statements of financial position		42,438	68,963	98,833	62,887	79,615
Cash and cash equivalents attributable to discontinued operations		—	—	2,444	—	—
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS		42,438	68,963	101,277	62,887	79,615

(F) STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	31 December 2018 RMB'000	30 April 2019 RMB'000
NON-CURRENT ASSET			
Investment in a subsidiary	44	—*	1,352,000
Total non-current assets		—*	1,352,000
CURRENT ASSET			
Due from the immediate holding company		—*	—*
CURRENT LIABILITY			
Due to a subsidiary		—*	—*
Net assets		—*	1,352,000
EQUITY			
Issued capital	31	—*	—*
Reserves	32	—*	1,352,000
Total equity		—*	1,352,000

* *The amount is less than RMB1,000.*

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated under the laws of the Cayman Islands with limited liability on 16 November 2018. The registered office address of the Company is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KYI-1108, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the subsidiaries now comprising the Group were involved in construction contracting, property development and others. The immediate holding company of the Company is Jixiang International Industrial Co., Ltd. The controlling shareholder of the Group is Mr. Li Baotian (Referred to as the "Controlling Shareholder").

The Company and its subsidiaries now comprising the Group underwent the reorganisation which was completed on 29 April 2019 as set out in the paragraph headed "Reorganisation" in the section headed "Our History and Reorganisation" in the Prospectus. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the end of the Relevant Periods, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of principal subsidiaries are set out below:

	Place and date of incorporation/establishment and place of operations	Nominal value of registered share capital	Percentage of equity interest attributable to the Company	Principal activities
Indirectly held:				
天保建設集團有限公司 Tianbao Construction Group Company Limited* ("Tianbao Construction Group") *(Note (1))*	People's Republic of China ("PRC") /Mainland China/ 18 March 1998	RMB1,050,000,000	100%	Construction contracting
天保房地產開發有限公司 Tianbao Property Development Company Limited* ("Tianbao Property Development") *(Note (2))*	The PRC/Mainland China/ 10 May 2001	RMB300,000,000	100%	Property development and others

* The English names of the companies registered in the PRC represent the best efforts made by management of the Company to translate the Chinese names of these companies as they do not have official English names.

Note (1): The statutory financial statements of this entity for the years ended 31 December 2016, 2017 and 2018 prepared under China Accounting Standards for Business Enterprises "PRC GAAP" were audited by Baoding Boyou Certified Public Accountants (保定博友會計師事務所), certified public accountants registered in the PRC.

Note (2): No statutory audited financial report has been prepared for this subsidiary during the Relevant Periods as there is no statutory requirement for this entity to prepare audited financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PRESENTATION

Pursuant to the reorganisation as more fully explained in the paragraph headed "Reorganisation" in the section headed "History and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 29 April 2019. The companies now comprising the Group were under the common control of the Controlling Shareholder before and after the Reorganisation. Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the four months ended 30 April 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2016, 2017 and 2018 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholder' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than the Controlling Shareholder, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on combination in full.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"). Except for IFRS 9, *Financial Instruments*, all IFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Group has applied IFRS 9, effective for the period beginning on or after 1 January 2018. The Group has not restated financial information from 1 January 2016 to 31 December 2017 for financial instruments in the scope of IFRS 9. The financial information from 1 January 2016 to 31 December 2017 is reported under International Accounting Standard 39 ("IAS 39") and is not comparable to the information presented for 2018 and four months ended 30 April 2019.

Besides, IFRS 15 Revenue from Contracts with Customers and amendments to IFRS 15 Clarification to IFRS 15 Revenue from Contracts with Customers, which are effective for annual periods beginning on or after 1 January 2018, have been early adopted by the Company in the preparation of the Historical Financial Information throughout the Relevant Periods. Early adoption of IFRS 15 and amendments to it is permitted. Early adoption of IFRS 15 does not have significant impact on the Group's consolidated financial statements.

IFRS 16 replaces IAS 17 Leases, 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. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("low-value assets"). As at the end of Relevant Periods, the lease contracts entered by the Group mainly belong to short-term leases and no right-of-use assets and lease liabilities were recognised, the adoption of IFRS 16 does not have significant impact on the Group consolidated financial statements.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties and equity investments designated at fair value through other comprehensive income which have been measured at fair value.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity investments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets, including financial assets at fair value through profit or loss ("FVPL"), available-for-sale investments ("AFS"), held-to-maturity investments and loans and receivables have been replaced by:

- Debt instruments at amortised cost;
- Debt instruments at fair value through other comprehensive income ("FVOCI"), with gains or losses recycled to profit or loss on derecognition;
- Equity investments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at FVPL.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated as at FVPL. Such movements are presented in other comprehensive income with no subsequent reclassification to profit or loss.

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

		IAS 39 measurement		**IFRS 9 measurement**		
	Note	**Category**	**Amount** *RMB'000*	**Re-classification** *RMB'000*	**Amount** *RMB'000*	**Category**
Equity investments designated at fair value through other comprehensive income		—	—	128,100	128,100	FVOCI
Available-for-sale investments	*(i)*	AFS	128,100	(128,100)	—	

Note (i): The Group has elected the option to irrevocably designate its previous available-for-sale investments as equity investments at fair value through other comprehensive income. The equity investment revaluation reserve as at 1 January 2018 increased by RMB4,745,000 due to the adoption of IFRS 9.

Impairment

The Group has not recognised additional impairment loss allowance upon the initial recognition of IFRS 9 on 1 January 2018 as the amounts involved are insignificant.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in this Historical Financial Information.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are stated at cost less any impairment losses.

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income ("OCI") of an associate are included in the consolidated statements of profit or loss and consolidated statements of OCI, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Fair value measurement

The Group measures its investment properties and unlisted fund investments classified as available-for-sale investments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets, properties under development, completed properties held for sale, investment properties and assets of a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statements of profit or loss in the year in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statements of profit or loss in the year in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss in the year in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%–5%
Plant and machinery	10%–19%
Motor vehicles	6%–19%
Office equipment and others	11%–33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss in the year the asset derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the year of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

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

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

Any gains or losses on the retirement or disposal of an investment property are recognised in the statements of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with IAS 16 *Property, Plant and Equipment* up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation and carried in the asset revaluation reserve in equity. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statements of profit or loss.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Properties under development

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

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

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

Completed properties held for sale

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

Allocation of property development cost

Land costs are allocated to each unit according to their respective saleable gross floor areas ("GFA") to the total saleable GFA. Construction costs relating to units were identified and allocated specifically. Common construction costs have been allocated according to the saleable GFA similar to land cost.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated useful life from 1 year to 5 years.

Leases

- *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Right-of-use assets are subject to impairment.

- *Lease liabilities*

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

- *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Investments and other financial assets (policies under IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

Impairment of financial assets (policies under IAS 39 applicable before 1 January 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. ''Significant'' is evaluated against the original cost of the investment and ''prolonged'' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss — is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is ''significant'' or ''prolonged'' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Derecognition of financial assets (policies under IFRS 9 applicable from 1 January 2018 and policies under IAS 39 applicable before 1 January 2018)

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

The Group assesses at the end of each of the Relevant Periods whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Investments and other financial assets (policies under IFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

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

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

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

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

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)

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

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables.

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

The Group's financial liabilities include trade and other payables and interest bearing bank borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Financial guarantee contracts (policies under IFRS 9 applicable from 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under IFRS 9 applicable from 1 January 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Financial guarantee contracts (policies under IAS 39 applicable before 1 January 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under IFRS 9 applicable from 1 January 2018 and IAS 39 applicable before 1 January 2018)

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statements of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the years that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statements of profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statements of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Construction Services

Revenue from the provision of construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Claims to customers are amounts that the Group seeks to collect from the customers as reimbursement of costs and margins for scope of works not included in the original construction contract. Claims are accounted for as variable consideration and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group uses the expected value method to estimate the amounts of claims because this method best predicts the amount of variable consideration to which the Group will be entitled.

(b) Sale of properties

Revenue from the sale of properties is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the properties.

(c) Provision of management services

Revenue from the provision of management services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

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

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Employee benefits

Social pension plans

The Group has the social pension plans for its employees arranged by local government labour and security authorities. The Group makes contributions on a monthly basis to the social pension plans. The contributions are charged to profit or loss as they become payable in accordance with the rules of the social pension plans. Under the plans, the Group has no further obligation beyond the contributions made.

Housing fund and other social insurances

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group has no further obligations beyond the contributions made.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial year of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the year in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the ''functional currency''). The Historical Financial Information is presented in RMB, which is the Company's functional currency because the Group's principal operations are carried out in China. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statements of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statements of profit or loss.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Provision of properties under development and completed properties held for sale

The Group's properties under development and completed properties held for sale are stated at the lower of cost and net realisable value. Based on the Group's historical experience and the nature of the subject properties, the Group makes estimates of the selling prices, the costs of completion of properties under development, and the costs to be incurred in selling the properties based on prevailing market condition.

If there is an increase in costs to completion or a decrease in net sales value, the net realisable value will decrease and this may result in a provision for properties under development and completed properties held for sale. Such provision requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value and provision for properties in the periods in which such estimate is changed will be adjusted accordingly.

Progress of completion of construction and design service works

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts and is measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract. The Group reviews and revises the estimates of total contract costs, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred. Total budgeted costs for construction contracting and architectural design services comprise (i) direct material costs and direct labour, (ii) costs of subcontracting, and (iii) an appropriation of variable and fixed construction and services overheads. In estimating the total budgeted costs for construction contracting and architectural design services, management makes reference to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) an estimation on material costs, labour costs and other costs with reference to past experience.

PRC corporate income tax ("CIT")

The Group is subject to corporate income taxes in China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgement based on currently enacted tax laws, regulations and other related policies are required in determining the provision for income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will impact on the income tax and tax provisions in the year in which the differences realise.

PRC land appreciation tax ("LAT")

The Group is subject to LAT in China. The provision for LAT is based on management's best estimates according to the understanding of the requirements set forth in the relevant PRC tax laws and regulations. The actual LAT liabilities are subject to the determination by the tax authorities upon the completion of the property development projects. The Group has not finalised its LAT calculation and payments with the tax authorities for certain of its property development projects. The final outcome could be different from the amounts that were initially recorded, and any differences will impact on the LAT expenses and the related provision in the year in which the differences realise.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimate of fair value of investment properties

Investment properties carried at fair value were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each of the Relevant Periods.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 25 and note 19 to the financial statements, respectively.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) Construction contracting — this segment engages in the provision of services relating to construction as a general contractor for building construction projects, infrastructure construction projects and property investment; and

(b) Property development and others — this segment engages in the sale of properties and the provision of services relating to properties.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of profit/loss before tax from continuing operations.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Year ended 31 December 2016	**Construction contracting**	**Property development and others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue *(note 5)*:			
Sales to external customers	722,734	77,458	800,192
Intersegment sales	70,152	—	70,152
Total revenue	792,886	77,458	870,344
Reconciliation:			
Eliminations of intersegment sales — continuing			(70,152)
Revenue from continuing operations			800,192
Segment results	21,682	38,905	60,587
Reconciliation:			
Eliminations of intersegment results — continuing			5,694
Profit before tax from continuing operations			66,281
Segment assets	1,971,066	2,151,963	4,123,029
Reconciliation:			
Eliminations of intersegment receivables			(1,060,409)
Total assets			3,062,620
Segment liabilities	1,396,086	1,704,416	3,100,502
Reconciliation:			
Eliminations of intersegment payables			(942,852)
Total liabilities			2,157,650
Other segment information:			
Depreciation	319	2,233	2,552
Amortisation	6	1,257	1,263
Impairment losses recognised in the consolidated statements of profit or loss	2,405	41	2,446
Impairment losses reversed in the consolidated statements of profit or loss	(1,119)	(598)	(1,717)
Capital expenditure*	83	31,249	31,332

Year ended 31 December 2017	Construction contracting *RMB'000*	Property development and others *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)***:**			
Sales to external customers	928,175	274,103	1,202,278
Intersegment sales	330,261	—	330,261
Total revenue	1,258,436	274,103	1,532,539
Reconciliation:			
Eliminations of intersegment sales — continuing			(330,261)
Revenue from continuing operations			1,202,278
Segment results	28,750	108,221	136,971
Reconciliation:			
Eliminations of intersegment results — continuing			(6,091)
Profit before tax from continuing operations			130,880
Segment assets	2,621,357	4,182,700	6,804,057
Reconciliation:			
Eliminations of intersegment receivables			(2,173,310)
Total assets			4,630,747
Segment liabilities	2,043,033	3,674,624	5,717,657
Reconciliation:			
Eliminations of intersegment payables			(2,051,218)
Total liabilities			3,666,439
Other segment information:			
Depreciation	340	3,491	3,831
Amortisation	8	1,257	1,265
Impairment losses recognised in the consolidated statements of profit or loss	19,292	7,728	27,020
Impairment losses reversed in the consolidated statements of profit or loss	(235)	(4)	(239)
Investments in an associate	160	—	160
Share of loss from investment in an associate	15	—	15
Capital expenditure*	470	27,562	28,032

Year ended 31 December 2018	Construction contracting *RMB'000*	Property development and others *RMB'000*	Total *RMB'000*
Segment revenue *(note 5)*:			
Sales to external customers	1,201,480	400,259	1,601,739
Intersegment sales — continuing	450,364	—	450,364
Total revenue	1,651,844	400,259	2,052,103
Reconciliation:			
Eliminations of intersegment sales — continuing			(450,364)
Revenue from continuing operations			1,601,739
Segment results	77,479	132,544	210,023
Reconciliation:			
Eliminations of intersegment results — continuing			(28,353)
Profit before tax from continuing operations			181,670
Segment assets	3,594,542	6,335,463	9,930,005
Reconciliation:			
Eliminations of intersegment receivables			(3,579,086)
Assets of a disposal group classified as held for sale			7,944
Total assets			6,358,863
Segment liabilities	2,415,399	5,650,791	8,066,190
Reconciliation:			
Eliminations of intersegment payables			(3,392,551)
Liabilities of a disposal group classified as held for sale			6,303
Total liabilities			4,679,942
Other segment information:			
Depreciation	460	4,718	5,178
Amortisation	32	1,257	1,289
Impairment losses recognised in the consolidated statements of profit or loss	5,970	1,288	7,258
Impairment losses reversed in the consolidated statements of profit or loss	(17,878)	(5)	(17,883)
Capital expenditure*	1,819	24,434	26,253

Four months ended 30 April 2018 (unaudited)	Construction contracting *RMB'000*	Property development and others *RMB'000*	Total *RMB'000*
Segment revenue *(note5)*:			
Sales to external customers	271,488	389,046	660,534
Intersegment sales	87,219	—	87,219
Total revenue	358,707	389,046	747,753
Reconciliation:			
Eliminations of intersegment sales — continuing			(87,219)
Revenue from continuing operations			660,534
Segment results	6,208	116,631	122,839
Reconciliation:			
Eliminations of intersegment results — continuing			482
Profit before tax from continuing operations			123,321
Other segment information:			
Depreciation	143	1,237	1,380
Amortisation	—	419	419
Impairment losses recognised in the consolidated statements of profit or loss	10,717	1,216	11,933
Impairment losses reversed in the consolidated statements of profit or loss	(6,135)	—	(6,135)
Capital expenditure*	829	8,520	9,349

Four months ended 30 April 2019	Construction contracting	Property development and others	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue *(note 5):*			
Sales to external customers	269,939	274,487	544,426
Intersegment sales	170,829	—	170,829
Total revenue	440,768	274,487	715,255
Reconciliation:			
Eliminations of intersegment sales — continuing			(170,829)
Revenue from continuing operations			544,426
Segment results	985	93,014	93,999
Reconciliation:			
Eliminations of intersegment results — continuing			(294)
Profit before tax from continuing operations			93,705
Segment assets	3,603,487	8,557,863	12,161,350
Reconciliation:			
Eliminations of intersegment receivables			(7,079,865)
Total assets			5,081,485
Segment liabilities	2,424,925	6,454,298	8,879,223
Reconciliation:			
Eliminations of intersegment payables			(4,190,648)
Total liabilities			4,688,575
Other segment information:			
Depreciation	159	1,786	1,945
Amortisation	26	265	291
Impairment losses recognised in the consolidated statements of profit or loss	11,521	405	11,926
Impairment losses reversed in the consolidated statements of profit or loss	(1,404)	(224)	(1,628)
Capital expenditure*	839	15,540	16,379

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets.

Geographical information

The Group has derived substantially all of its revenue in the PRC and all of its non-current assets are located in the PRC, hence, geographical segment information is not considered necessary.

Information about major customers

The Group has a large number of customers, no single customer accounted for more than 10% of the Group's total revenue for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Revenue from contracts with customers					
Construction contracting	722,734	928,175	1,201,480	271,488	269,939
Property development	75,811	268,933	391,709	387,727	270,507
Revenue from other sources					
Gross rental income	1,647	5,170	8,550	1,319	3,980
	800,192	1,202,278	1,601,739	660,534	544,426

Revenue from contracts with customers

(i) Disaggregated revenue information

Segments

	2016	2017	2018	2018	2019
Type of goods or services					
Construction contracting	722,734	928,175	1,201,480	271,488	269,939
Property development	75,811	268,933	391,709	387,727	270,507
Total revenue from contracts with customers	798,545	1,197,108	1,593,189	659,215	540,446
Geographical markets					
Mainland China	798,545	1,197,108	1,593,189	659,215	540,446
Timing of revenue recognition					
Goods transferred at a point in time	75,811	268,933	391,709	387,727	270,507
Services transferred over time	722,734	928,175	1,201,480	271,488	269,939
Total revenue from contracts with customers	798,545	1,197,108	1,593,189	659,215	540,446

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

For the year ended 31 December 2016

Segments	Construction contracting *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	722,734	75,811	798,545
Intersegment sales	70,152	—	70,152
	792,886	75,811	868,697
Intersegment eliminations	(70,152)	—	(70,152)
Total revenue from contracts with customers	722,734	75,811	798,545

For the year ended 31 December 2017

Segments	Construction contracting *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	928,175	268,933	1,197,108
Intersegment sales	330,261	—	330,261
	1,258,436	268,933	1,527,369
Intersegment eliminations	(330,261)	—	(330,261)
Total revenue from contracts with customers	928,175	268,933	1,197,108

For the year ended 31 December 2018

Segments	Construction contracting *RMB'000*	Property development *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	1,201,480	391,709	1,593,189
Intersegment sales	450,364	—	450,364
	1,651,844	391,709	2,043,553
Intersegment eliminations	(450,364)	—	(450,364)
Total revenue from contracts with customers	1,201,480	391,709	1,593,189

For the period ended 30 April 2018 (unaudited)

Segments	Construction Contracting *RMB'000*	Property Development *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	271,488	387,727	659,215
Intersegment sales	87,219	—	87,219
	358,707	387,727	746,434
Intersegment eliminations	(87,219)	—	(87,219)
Total revenue from contracts with customers	271,488	387,727	659,215

For the period ended 30 April 2019

Segments	Construction Contracting *RMB'000*	Property Development *RMB'000*	Total *RMB'000*
Revenue from contracts with customers			
External customers	269,939	270,507	540,446
Intersegment sales	170,829	—	170,829
	440,768	270,507	711,275
Intersegment eliminations	(170,829)	—	(170,829)
Total revenue from contracts with customers	269,939	270,507	540,446

The following table shows the amounts of revenue recognised in Relavant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December			Four months ended 30 April	
	2016 *RMB'000*	2017 *RMB'000*	2018 *RMB'000*	2018 *RMB'000* (Unaudited)	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the Relevant Periods:					
Construction contracting	38,521	47,213	50,141	47,857	41,607
Property development	38,524	225,125	354,487	348,947	250,280
	77,045	272,338	404,628	396,804	291,887

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Construction contracting

The performance obligation is satisfied over time as services while a certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Property development

The performance obligation is satisfied when the customer obtains the physical possession or the legal title of the completed property and the Group has a present right to payment and the collection of the consideration is probable.

The transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2016, 2017 and 2018 and 30 April 2019 are as follows:

		31 December			**30 April**	
		2016	**2017**	**2018**	**2018**	**2019**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Within one year		738,755	1,172,613	2,150,371	1,282,076	2,886,570
More than one year		1,088,832	1,311,928	1,211,787	1,136,961	838,869
		1,827,587	2,484,541	3,362,158	2,419,037	3,725,439

The remaining performance obligations expected to be recognised in more than one year relating construction services are to be satisfied within three years while those relating property services are to be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year. The amounts disclosed above do not include variable consideration which is constrained.

		Year ended 31 December			Four months ended 30 April	
		2016	2017	2018	2018	2019
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(Unaudited)	
Other income						
Bank interest income		882	2,519	2,798	246	219
Dividend income from equity investments designated at fair value through other comprehensive income		—	—	13,270	900	420
Dividend income from available-for-sale investments		8,425	2,226	—	—	—
		9,307	4,745	16,068	1,146	639
Gains						
Gain on disposal of subsidiaries	*36*	—	—	490	—	1,534
Others		36	51	362	116	285
		36	51	852	116	1,819
		9,343	4,796	16,920	1,262	2,458

6. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of construction contracting	693,252	873,871	1,132,758	257,141	255,463
Cost of properties development and others	44,099	134,820	279,057	267,330	165,259
	737,351	1,008,691	1,411,815	524,471	420,722
Minimum lease payments under operating leases	—	100	209	40	10
Amortisation of prepaid land lease payments and other intangible assets	1,263	1,265	1,289	419	291
Depreciation	2,552	3,831	5,178	1,380	1,945
Auditor's remuneration	10	10	996	10	916
Employee benefit expenses (excluding directors' and chief executive's remuneration):					
— Wages, salaries and allowances	9,136	10,914	13,766	4,348	4,763
— Social insurance	2,070	2,527	3,491	625	1,525
— Welfare and other expenses	1,086	1,103	2,337	698	281
	12,292	14,544	19,594	5,671	6,569
Share of loss from investment in an associate	—	15	—	—	—
Impairment losses/(reversal of impairment losses) of trade receivables, net	1,124	17,828	(10,648)	4,354	8,581
Impairment losses of contract assets, net	—	—	647	1,503	1,173
(Reversal of impairment losses)/impairment losses of financial assets included in prepayments, other receivable and other assets, net	(395)	8,953	(624)	(59)	544
	729	26,781	(10,625)	5,798	10,298
Changes in fair value of investment properties	(28,743)	(2,600)	(19,400)	(7,000)	(3,700)
Dividend income from available-for-sale investments/equity investments designated at fair value through other comprehensive income	(8,425)	(2,226)	(13,270)	(900)	(420)
Bank interest income	(882)	(2,519)	(2,798)	(246)	(219)
Loss on disposal of items of property, plant and equipment	—	—	430	26	—

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Interest on bank loans	7,279	7,297	29,794	4,312	17,669
Less: interest capitalised	(1,150)	(2,813)	(24,744)	(2,875)	(10,794)
	6,129	4,484	5,050	1,437	6,875

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors before 16 November 2018, the date of incorporation of the Company.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the consolidated financial statements of the Group is set out below:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	465	563	731	221	204
Pension scheme contributions and social welfare	126	133	159	52	45
	591	696	890	273	249

(a) Independent non-executive directors

Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu were appointed as independent non-executive directors of the Company on 25 June 2019. There was no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors

Year ended 31 December 2016

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions and social welfare *RMB'000*	Total remuneration *RMB'000*
Executive directors			
Mr. Li Baotian	—	—	—
Ms. Shen Lifeng	—	—	—
Ms. Wang Xinling	132	47	179
Mr. Li Yaruixin	100	35	135
Mr. Zang Lin	123	44	167
Ms. Wang Huijie	110	—	110
	465	126	591

Year ended 31 December 2017

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions and social welfare *RMB'000*	Total remuneration *RMB'000*
Executive Directors			
Mr. Li Baotian	—	—	—
Ms. Shen Lifeng	—	—	—
Ms. Wang Xinling	159	49	208
Mr. Li Yaruixin	121	38	159
Mr. Zang Lin	149	46	195
Ms. Wang Huijie	134	—	134
	563	133	696

Year ended 31 December 2018

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions and social welfare *RMB'000*	Total remuneration *RMB'000*
Executive Directors			
Mr. Li Baotian	—	—	—
Ms. Shen Lifeng	—	—	—
Ms. Wang Xinling	203	59	262
Mr. Li Yaruixin	167	45	212
Mr. Zang Lin	186	55	241
Ms. Wang Huijie	175	—	175
	731	159	890

Four months ended 30 April 2018 (unaudited)

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions and social welfare *RMB'000*	Total remuneration *RMB'000*
Executive directors			
Mr. Li Baotian	—	—	—
Ms. Shen Lifeng	—	—	—
Ms. Wang Xinling	61	19	80
Mr. Li Yaruixin	50	15	65
Mr. Zang Lin	56	18	74
Ms. Wang Huijie	54	—	54
	221	52	273

Four months ended 30 April 2019

	Salaries, allowances and benefits in kind *RMB'000*	Pension scheme contributions and social welfare *RMB'000*	Total remuneration *RMB'000*
Executive directors			
Mr. Li Baotian	60	—	60
Ms. Shen Lifeng	—	—	—
Ms. Wang Xinling	40	17	57
Mr. Li Yaruixin	40	14	54
Mr. Zang Lin	32	14	46
Ms. Wang Huijie	32	—	32
	204	45	249

Mr. Li Baotian is the chief executive officer and an executive director of the Company. Mr. Li Baotian has agreed to waive the remuneration from 1 January 2016 to 31 December 2018.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019 included two, two, three, two and four directors respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2018 and 2019 of the remaining three, three, two, three and one highest paid employees who are neither a director nor chief executive of the Company, respectively, are as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	329	384	322	150	32
Pension scheme contributions and social welfare	117	123	87	47	13
	446	507	409	197	45

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees				
	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
				(Unaudited)	
Nil to HK$1,000,000	3	3	2	3	1

10. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Company and the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not have any assessable profits currently arising in Hong Kong during the Relevant Periods.

Subsidiaries of the Group operating in Mainland China are subject to the PRC corporate income tax rate of 25% for the Relevant Periods in accordance with the PRC Corporation Income Tax Law for the Relevant Periods.

Certain subsidiaries of the Group were subject to the CIT of Mainland China at a tax rate of 25% on a deemed profit basis which represents 8% of construction contracting segment's revenue and 10% of property development segment's revenue in accordance with authorised tax valuation method approved by local tax bureau pursuant to the applicable PRC tax regulations during the Relevant Periods. From 1 January 2017 and 1 January 2019, certain of these subsidiaries, respectively, are no longer applicable to the authorised tax valuation method and consequently are subject to the income tax rate of 25% based on assessable profits.

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sale of properties less deductible expenditures including land costs, borrowing costs and other property development expenditures. The Group has estimated, made and included in taxation a provision for LAT according to the requirements set forth in the relevant Mainland China tax laws and regulations. The LAT provision is subject to the final review and approval by the local tax bureau.

Certain subsidiaries with properties sold were subject to LAT which is calculated based on 5% of property revenue in accordance with the authorised taxation method approved by respective local tax bureaus.

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Current tax:					
Current income tax	19,329	49,755	68,618	43,678	45,832
Deferred income tax	6,426	5,352	(11,831)	(8,157)	(22,364)
PRC LAT	2,559	15,542	15,249	12,477	16,778
Tax expense for the year/period from continuing operations	28,314	70,649	72,036	47,998	40,246
Tax expense for the year/period from discontinued operations *(note 11)*	3	52	105	106	—
	28,317	70,701	72,141	48,104	40,246

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for each of the Relevant Periods is as follows:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Profit before tax from continuing operations	66,281	130,880	181,670	123,321	93,705
Loss before tax from discontinued operations	(784)	(841)	(1,322)	(669)	(62)
	65,497	130,039	180,348	122,652	93,643
Income tax charge at the statutory income tax rate of 25%	16,374	32,510	45,087	30,663	23,411
Income not subject to tax	—	(557)	(3,317)	(381)	(105)
Expenses not deductible for tax	—	7,198	4,675	2,235	4,357
Deductible temporary differences not recognised	—	2,100	556	743	—
Provision for LAT	2,559	15,542	15,249	12,477	16,778
Tax effect on LAT	(640)	(3,886)	(3,812)	(3,119)	(4,195)
Effect of deemed profit basis	10,024	17,794	13,703	5,486	—
Tax charge for the year/period at the Group's effective rate	28,317	70,701	72,141	48,104	40,246

Tax payable in the consolidated statements of financial position represents:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax payable				
Corporate income tax	35,961	74,889	101,316	135,921
LAT	19,738	6,760	26,854	36,551
	55,699	81,649	128,170	172,472

Tax recoverable mainly comprises the prepaid LAT and corporate income tax in relation to the pre-sale proceeds for the property development projects not yet delivered to the purchasers. According to the relevant PRC rules and regulations, pre-sold properties are subject to prepayments of LAT and corporate income tax. Tax recoverable amounted to approximately RMB29.0 million, RMB72.3 million, RMB82.8 million and RMB91.4 million as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

11. DISCONTINUED OPERATIONS

In 2018, the Group decided to dispose of the entire interests in certain subsidiaries (the "Disposal Group") to the related parties and third parties in order to delineate other businesses operated by the Group from its principal businesses. As at 31 December 2018, the Disposal Group was classified as a disposal group held for sale and as discontinued operations. With the Disposal Group being classified as discontinued operations, the related businesses are no longer included in the note for operating segment information. The disposals of the Disposal Group were completed during the Relevant Periods as detailed in note 36.

The results of Disposal Group presented as discontinued operations for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019 are as below:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
REVENUE	6,293	6,365	4,383	334	339
Cost of sales	(5,901)	(5,245)	(3,187)	—	(321)
GROSS PROFIT	392	1,120	1,196	334	18
Other income and gains	3	9	13	3	—
Administrative expenses	(669)	(2,391)	(2,547)	(1,029)	(87)
(Impairment losses)/reversal of impairment losses on financial assets and contract assets, net	(510)	488	16	23	7
Other expenses	—	(67)	—	—	—
LOSS BEFORE TAX	(784)	(841)	(1,322)	(669)	(62)
Income tax expense	(3)	(52)	(105)	(106)	—
LOSS FOR THE YEAR/PERIOD	(787)	(893)	(1,427)	(775)	(62)
Attributable to:					
Owners of the parent	(834)	(771)	(1,427)	(728)	(62)
Non-controlling interests	47	(122)	—	(47)	—
	(787)	(893)	(1,427)	(775)	(62)

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2018 are as follows:

		31 December 2018
	Note	*RMB'000*
Assets		
Property, plant and equipment	*14*	56
Other intangible assets		7
Trade receivables		1,384
Contract assets		140
Prepayments, other receivables and other assets		3,913
Cash and cash equivalents		2,444
Assets of a disposal group classified as held for sale		7,944
Liabilities		
Trade payables		(2,389)
Other payables and accruals		(3,829)
Tax payable		(85)
Liabilities of a disposal group classified as held for sale		(6,303)
Net assets directly associated with the disposal group		1,641

The net cash flows incurred by the Disposal Group for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019 are as below:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities	461	4,643	(3,791)	(854)	(778)
Investing activities	(7)	(19)	(24)	(150)	—
Financing activities	20	450	70	(470)	(1,666)
Net cash inflow/(outflow)	474	5,074	(3,745)	(1,474)	(2,444)

12. DIVIDENDS

No dividends have been paid or declared by the Company since its date of incorporation.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the presentation of the results of the Group for the Relevant Periods as disclosed in note 2.1 to the Historical Financial Information.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Plant and machinery**	**Motor vehicles**	**Office equipment and others**	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016						
At 1 January 2016:						
Cost	13,862	6,358	7,829	1,062	103,302	132,413
Accumulated depreciation	(3,792)	(3,463)	(3,811)	(570)	—	(11,636)
Net carrying amount	10,070	2,895	4,018	492	103,302	120,777
At 1 January 2016, net of accumulated depreciation	10,070	2,895	4,018	492	103,302	120,777
Additions	24	41	71	30	1,847	2,013
Transfers	50,242	—	—	—	(50,242)	—
Depreciation provided during the year	(1,291)	(512)	(664)	(109)	—	(2,576)
At 31 December 2016, net of accumulated depreciation	59,045	2,424	3,425	413	54,907	120,214
At 31 December 2016:						
Cost	64,128	6,399	7,900	1,092	54,907	134,426
Accumulated depreciation	(5,083)	(3,975)	(4,475)	(679)	—	(14,212)
Net carrying amount	59,045	2,424	3,425	413	54,907	120,214

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017						
At 1 January 2017:						
Cost	64,128	6,399	7,900	1,092	54,907	134,426
Accumulated depreciation	(5,083)	(3,975)	(4,475)	(679)	—	(14,212)
Net carrying amount	59,045	2,424	3,425	413	54,907	120,214
At 1 January 2017, net of accumulated depreciation	59,045	2,424	3,425	413	54,907	120,214
Additions	—	84	1,130	228	26,604	28,046
Transfers	19,995	—	—	—	(19,995)	—
Depreciation provided during the year	(2,388)	(518)	(808)	(144)	—	(3,858)
At 31 December 2017, net of accumulated depreciation	76,652	1,990	3,747	497	61,516	144,402
At 31 December 2017:						
Cost	84,123	6,483	9,030	1,320	61,516	162,472
Accumulated depreciation	(7,471)	(4,493)	(5,283)	(823)	—	(18,070)
Net carrying amount	76,652	1,990	3,747	497	61,516	144,402

	Buildings	Plant and machinery	Motor vehicles	Office equipment and others	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018						
At 1 January 2018:						
Cost	84,123	6,483	9,030	1,320	61,516	162,472
Accumulated depreciation	(7,471)	(4,493)	(5,283)	(823)	—	(18,070)
Net carrying amount	76,652	1,990	3,747	497	61,516	144,402
At 1 January 2018, net of accumulated depreciation	76,652	1,990	3,747	497	61,516	144,402
Additions	—	132	902	745	23,678	25,457
Disposals	—	(20)	(152)	(104)	—	(276)
Assets included in discontinued operations *(note 11)*	—	—	(10)	(46)	—	(56)
Depreciation provided during the year	(3,528)	(517)	(972)	(196)	—	(5,213)
At 31 December 2018, net of accumulated depreciation	73,124	1,585	3,515	896	85,194	164,314
At 31 December 2018:						
Cost	84,123	6,595	7,929	1,915	85,194	185,756
Accumulated depreciation	(10,999)	(5,010)	(4,414)	(1,019)	—	(21,442)
Net carrying amount	73,124	1,585	3,515	896	85,194	164,314

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment and others RMB'000	Construction in progress RMB'000	Total RMB'000
30 April 2019						
At 1 January 2019:						
Cost	84,123	6,595	7,929	1,915	85,194	185,756
Accumulated Depreciation	(10,999)	(5,010)	(4,414)	(1,019)	—	(21,442)
Net carrying amount	73,124	1,585	3,515	896	85,194	164,314
At 1 January 2019, net of accumulated depreciation	73,124	1,585	3,515	896	85,194	164,314
Additions	—	631	230	389	15,129	16,379
Disposals	—	—	(2)	(46)	—	(48)
Depreciation provided during the period	(1,389)	(189)	(216)	(151)	—	(1,945)
At 30 April 2019, net of accumulated depreciation	71,735	2,027	3,527	1,088	100,323	178,700
At 30 April 2019:						
Cost	84,123	7,226	8,157	2,258	100,323	202,087
Accumulated Depreciation	(12,388)	(5,199)	(4,630)	(1,170)	—	(23,387)
Net carrying amount	71,735	2,027	3,527	1,088	100,323	178,700

Certain of the Group' s property, plant and equipment with a net carrying amount of approximately RMB8,576,000, RMB7,973,000, RMB7,370,000 and RMB7,169,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively, were pledged to secure bank borrowings granted to a related party.

Certain of the Group' s property, plant and equipment with a net carrying amount of approximately RMB19,995,000, RMB19,537,000, RMB66,038,000 and RMB64,381,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively, were pledged to secure bank borrowings granted to to the Group (note 30).

15. INVESTMENT PROPERTIES

	31 December 2016 RMB'000	31 December 2017 RMB'000	31 December 2018 RMB'000	30 April 2019 RMB'000
Carrying amount at the beginning of year/period	56,340	114,400	117,000	136,400
Additions of construction cost	29,317	—	—	—
Net gain from a fair value adjustment	28,743	2,600	19,400	3,700
Carrying amount at the end of year/period	114,400	117,000	136,400	140,100

The Group's investment properties are situated in Baoding City of Hebei Province in Mainland China. The Group's investment properties were revalued on 31 December 2016, 2017, 2018 and 30 April 2019 based on valuations performed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professionally qualified valuer, at RMB114,400,000, RMB117,000,000, RMB136,400,000 and RMB140,100,000 respectively.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 37 to the Historical Financial Information.

The Group's investment properties with aggregate carrying amounts of approximately RMB134,029,000 and RMB137,665,000 as at 31 December 2018 and 30 April 2019, respectively, were pledged to secure bank borrowings granted to the Group (note 30).

The Group's investment properties with aggregate carrying amounts of approximately RMB1,989,000, RMB2,034,000, RMB2,371,000 and RMB2,435,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, were pledged to secure bank borrowings granted to a related party.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
Recurring fair value measurement for	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial properties	—	—	114,400	114,400

	Fair value measurement as at 31 December 2017 using			
Recurring fair value measurement for	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial properties	—	—	117,000	117,000

	Fair value measurement as at 31 December 2018 using			
Recurring fair value measurement for	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial properties	—	—	136,400	136,400

	Fair value measurement as at 30 April 2019 using			
Recurring fair value measurement for:	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Commercial properties	—	—	140,100	140,100

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range 31 December 2016	2017	2018	30 April 2019
Commercial properties	Income approach	Estimated rental value (RMB per square Meter and per month)	RMB30–48	RMB30–48	RMB33–48	RMB33–48
		Capitalisation rate	6%	6%	6%	6%
		Long term vacancy rate	60%	39%	24%	24%

The fair value of commercial properties is determined by the income approach by taking into account the rental income of the properties derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalised to determine the fair value at an appropriate capitalisation rate. Where appropriate, reference to the comparable sales transactions as available in the relevant market has also been considered.

A significant increase (decrease) in the estimated rental value would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the long term vacancy rate and the capitalisation rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties.

16. PREPAID LAND LEASE PAYMENTS

	31 December 2016	2017	2018	30 April 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets — properties	36,123	34,860	33,597	10,923

Certain of the prepaid land lease payments with a net carrying amounts of approximately RMB10,622,000, RMB10,289,000, RMB9,957,000 and RMB9,846,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively, were pledged to secure bank borrowings granted to related parties.

17. INVESTMENT IN AN ASSOCIATE

	31 December 2016	2017	2018	30 April 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	—	145	—	—

(a) Particulars of the Group's associate is as follows:

Name	Place and year of registration	Paid-in capital	Percentage of ownership interest attributable to the Group	Principal activities
		RMB'000		
涿州欣德工程管理服務有限公司 ("Zhuozhou Xinde Engineering Management Service Co., Ltd")	Zhuozhou, PRC 2017	800	40%	Construction management service

The Group's investment in the associate was disposed of in 2018.

18. INVENTORIES

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	492	1,014	719	—

19. CONTRACT ASSETS

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets arising from:				
Construction contracting	613,184	914,037	785,692	957,318
Impairment	—	—	(647)	(1,820)
	613,184	914,037	785,045	955,498

Contract assets are initially recognised for revenue earned from construction contracting service as the receipt of consideration is conditional on successful completion of construction. Included in contract assets for construction services are retention receivables. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. As at 31 December 2018 and 30 April 2019, RMB647,000 and RMB1,820,000 was respectively recognised as an allowance for expected credit losses on contract assets. The Group's trading terms and credit policy with customers are disclosed in note 25 to the consolidated financial statements.

The expected timing of recovery or settlement for contract assets as at 31 December 2016, 2017 and 2018 and 30 April 2019 is as follows:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within one year	250,719	410,197	236,491	433,750
Due after one year	362,465	503,840	548,554	521,748
	613,184	914,037	785,045	955,498

The movements in the loss allowance for impairment of contract assets are as follows:

	31 December 2018	30 April 2019
	RMB'000	*RMB'000*
At the beginning of year/period	—	647
Impairment losses recognised during the year/period	647	1,316
Impairment losses reversed during the period	—	(143)
At the end of year/period	647	1,820

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The impact of adopting the expected credit loss model under IFRS 9 was not significant and, therefore, the Group made no adjustment to reserves as of 1 January 2018 for the changes in impairment. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	31 December 2018	30 April 2019
Expected credit loss rate	0.082%	0.190%
	RMB'000	*RMB'000*
Gross carrying amount	785,692	957,318
Expected credit losses	647	1,820

20. ADVANCES TO DIRECTORS

Name	At 1 January 2016	Maximum amount outstanding during the year	At 31 December 2016 and 1 January 2017	Maximum amount outstanding during the year	At 31 December 2017 and 1 January 2018	Maximum amount outstanding during the year	At 31 December 2018 and 1 January 2019	Maximum amount outstanding during the period	At 30 April 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Li Baotian	481,709	481,709	467,372	509,086	509,086	1,052,130	1,052,130	1,052,130	—
Mr.Li Yaruixin	274,847	274,847	205,364	205,364	158,858	175,234	175,234	175,234	—
Mr. Zang Lin	11,749	57,838	57,838	57,838	2,948	2,948	770	770	—
Ms. Wang Huijie	—	—	—	—	—	43	43	43	—
Ms. Wang Xinling	—	—	—	—	—	50	50	50	—
張北天保投資管理有限公司 ("Zhangbei Tianbao Investment Management Co., Ltd.") (controlled by Mr. Li Yaruixin)	60,219	80,445	80,445	80,445	33,630	33,630	—	—	—
Total	828,524		811,019		704,522		1,228,227		—

The advances to directors are unsecured, non-interest-bearing and repayable on demand.

21. AVAILABLE-FOR-SALE INVESTMENTS/EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December			30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale investments				
Unlisted equity investments, at cost				
河北涿州農村商業銀行股份有限公司	126,500	126,500	—	—
涿州天保建築體系有限公司	1,000	1,000	—	—
天保集團涿州建材供應公司	600	600	—	—
	128,100	128,100	—	—
Equity investments designated at fair value through other comprehensive income				
Unlisted equity investments, at fair value				
河北涿州農村商業銀行股份有限公司	—	—	136,000	140,000
涿州天保建築體系有限公司	—	—	391	—
	—	—	136,391	140,000

The unlisted equity investments at cost as at 31 December 2016 and 2017 represented equity investments in 河北涿州農村商業銀行股份有限公司, 涿州天保建築體系有限公司 and 天保集團涿州建材供應公司 (unlisted companies with a registered capital of RMB852,734,000 and RMB10,000,000 and RMB6,000,000, respectively), which were designated as available-for-sale financial assets.

Commencing from 1 January 2018, the above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

The unlisted equity investments at fair value as at 31 December 2018 and 30 April 2019 represented equity investments in 河北涿州農村商業銀行股份有限公司 and 涿州天保建築體系有限公司, which were equity investments designated at fair value through other comprehensive income. 天保集團涿州建材供應公司 was deregistered in 2018 and 涿州天保建築體系有限公司 was disposed of in 2019.

Certain of the Group's equity investments designated at fair value through other comprehensive income with aggregate carrying amounts of RMB136,000,000 and RMB140,000,000 as at 31 December 2018 and 30 April 2019, respectively, have been pledged to secure bank borrowings granted to a related party.

22. PROPERTIES UNDER DEVELOPMENT

	31 December			30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	342,266	536,771	1,415,599	2,594,931
Additions	196,806	1,138,297	1,218,117	327,677
Transferred to completed properties held for sale	(2,301)	(259,469)	(38,785)	(280,680)
At the end of the year/period	536,771	1,415,599	2,594,931	2,641,928

Properties under development expected to be completed and recovered:

	31 December			30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	221,538	—	1,216,865	1,062,384
After one year	315,233	1,415,599	1,378,066	1,579,544
At the end of the year/period	536,771	1,415,599	2,594,931	2,641,928

The Group's properties under development are situated on leasehold lands in Mainland China.

Certain of the Group's properties under development with aggregate carrying amounts of approximately RMB71,295,000, RMB145,613,000, RMB600,410,000 and RMB514,388,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively, have been pledged to secure bank borrowings granted to the Group (note 30).

Certain of the Group's properties under development with aggregate carrying amounts of approximately RMB106,387,000, RMB106,387,000, RMB106,387,000 and RMB67,804,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively, have been pledged to secure bank borrowings granted to related parties.

23. DEFERRED TAX

The Group has unrecognised tax losses arising in Mainland China of approximately nil, RMB2,100,000, RMB556,000 and nil as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively, that will expire in five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as, in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time and it is not certain that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2016.

At 31 December 2016, 2017, 2018 and 30 April 2019 , the Group has retained earnings of approximately RMB174,709,000, RMB240,315,000, RMB364,668,000 and RMB417,587,000. No deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Company and the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

Deferred tax assets

	Deductible loss	Unrealised profit from intercomany transations	Impairment of receivables	Fair value adjustments arising from equity investments at FVOCI	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016 and 1 January 2017	—	—	—	—	—	—
Deferred tax charged to profit or loss during the year	—	1,512	217	—	989	2,718
At 31 December 2017 and 1 January 2018	—	1,512	217	—	989	2,718
Deferred tax credited to profit or loss during the year	—	6,380	7,411	—	3,654	17,445
Deferred tax charged to other comprehensive income during the year	—	—	—	152	—	152
At 31 December 2018 and 1 January 2019	—	7,892	7,628	152	4,643	20,315
Deferred tax credited to profit or loss during the period	2,350	(1,375)	2,575	—	20,537	24,087
Deferred tax charged to other comprehensive income during the period	—	—	—	(152)	—	(152)
At 30 April 2019	2,350	6,517	10,203	—	25,180	44,250

Deferred tax liabilities

	Fair value adjustments arising from investment properties	Fair value adjustments arising from equity investments at FVOCI	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2016	2,887	—	—	2,887
Deferred tax charged to profit or loss during the year	6,426	—	—	6,426
At 31 December 2016 and 1 January 2017	9,313	—	—	9,313
Deferred tax charged to profit or loss during the year	650	—	7,420	8,070
At 31 December 2017 and 1 January 2018	9,963	—	7,420	17,383
Deferred tax charged to profit or loss during the year	4,850	—	764	5,614
Deferred tax charged to other comprehensive income during the year	—	2,375	—	2,375
At 31 December 2018 and 1 January 2019	14,813	2,375	8,184	25,372
Deferred tax charged to profit or loss during the period	925	—	798	1,723
Deferred tax charged to other comprehensive income during the period	—	1,000	—	1,000
At 30 April 2019	15,738	3,375	8,982	28,095

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statements of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	31 December			30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	—	1,512	15,601	33,840
Net deferred tax liabilities recognised in the consolidated statements of financial position	(9,313)	(16,177)	(20,658)	(17,685)
	(9,313)	(14,665)	(5,057)	16,155

24. COMPLETED PROPERTIES HELD FOR SALE

	31 December			30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	208,950	167,633	293,231	54,120
Transferred from properties under development	2,301	259,469	38,785	280,680
Transferred to cost of sales	(43,618)	(133,871)	(277,896)	(164,678)
Carrying amount at the end of the year/period	167,633	293,231	54,120	170,122

25. TRADE RECEIVABLES

Trade receivables mainly represented receivables from construction contracting. The payment terms of contract work receivables are stipulated in relevant contracts. The Group's trading terms with its customers are mainly on credit. The credit period offered by the Group is three to six months, except for retention receivable as detailed below. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	239,457	256,612	331,985	160,838
Provision for impairment	(3,365)	(21,193)	(10,545)	(19,126)
Trade receivables, net	236,092	235,419	321,440	141,712

At the end of each of the Relevant Periods, the due settlements of the Group's retention receivables are as follows:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retentions included in trade receivables	14,093	7,960	5,325	6,443
Provision for impairment	(638)	(796)	(282)	(558)
Retentions included in trade receivables, net	13,455	7,164	5,043	5,885

An ageing analysis of the Group's trade receivables excluding retentions, based on the invoice date and before provision for impairment of trade receivables, at the end of each of the Relevant Periods is as follows:

Trade receivables without retention receivables

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	203,577	85,021	285,284	119,503
1 year to 2 years	16,294	150,384	12,211	9,086
2 years to 3 years	5,493	7,754	28,878	20,171
Over 3 years	—	5,493	287	5,635
	225,364	248,652	326,660	154,395

Retention receivables included in trade receivables represented the Group's unconditional right to receive upon completion of the warranty period of 1 to 5 years.

An ageing analysis of the trade receivables at the end of each of the Relevant Periods, based on the invoice date and before net of loss allowance, is as follows:

	31 December 2016	31 December 2017	31 December 2018	30 April 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	214,904	89,757	287,792	122,867
1 year to 2 years	17,202	151,684	15,028	10,786
2 years to 3 years	5,598	8,670	28,878	8,986
Over 3 years	1,753	6,501	287	18,199
	239,457	256,612	331,985	160,838

The movements in loss allowance for impairment of trade receivables are as follows:

	31 December 2016	31 December 2017	31 December 2018	30 April 2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	2,241	3,365	21,193	10,545
Impairment losses recognised	2,243	18,067	5,135	9,444
Impairment losses reversed	(1,119)	(239)	(15,783)	(863)
At the end of the year/period	3,365	21,193	10,545	19,126

Impairment under IFRS 9 for the year ended 31 December 2018 and four months ended 30 April 2019

An impairment analysis is performed at 31 December 2018 and 30 April 2019 using a provision matrix to measure expected credit losses ("ECLs"). The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018 **Aging**	**Expected loss rate**	**Gross carrying amount**	**Impairment**
		RMB'000	*RMB'000*
Current and within 1 year	0.37%	287,792	1,051
More than one year but within 2 years	10.99%	12,868	1,414
More than 2 years but within 3 years	20.00%	28,878	5,776
More than 3 years but within 4 years	50.17%	287	144
More than 4 years	100.00%	—	—
Apparently impairment items	100.00%	2,160	2,160
		331,985	10,545

As at 30 April 2019 Ageing	Expected loss rate	Gross carrying amount	Impairment
		RMB'000	*RMB'000*
Current and within 1 year	1.62%	122,867	1,988
More than one year but within 2 years	12.33%	8,626	1,064
More than 2 years but within 3 years	37.27%	8,986	3,349
More than 3 years but within 4 years	57.38%	17,912	10,278
More than 4 years	100.00%	287	287
Apparently impairment items	100.00%	2,160	2,160
		160,838	19,126

Impairment under IAS 39 for the years ended 31 December 2016 and 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under IAS 39, as at 31 December 2016 and 2017 was provisions for impaired trade receivables of RMB3,365,000 and RMB21,193,000 with aggregate carrying amounts before provision of RMB239,457,000 and RMB256,612,000 as at 31 December 2016 and 2017, respectively.

The individually impaired trade receivables relate to customers that were in default in principal payments or were in financial difficulties and nil of the receivables is expected to be recovered.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under IAS 39 is as follows:

31 December 2016	Not impaired	Impaired Carrying amount	Provision	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year past due	214,903	—	—	214,903
Over 1 year past due	—	24,554	(3,365)	21,189
	214,903	24,554	(3,365)	236,092

31 December 2017	Not impaired	Impaired Carrying amount	Provision	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year past due	87,597	2,160	(2,160)	87,597
Over 1 year past due	—	166,855	(19,033)	147,822
	87,597	169,015	(21,193)	235,419

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of nil, RMB2,160,000, RMB2,160,000 and RMB2,160,000 with aggregate carrying amounts before provision of nil, RMB2,160,000, RMB2,160,000 and RMB2,160,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayment to suppliers	31,571	69,627	75,335	84,837
Advances to related parties *(note 39)*	891,116	776,293	1,429,340	—
Deposits	12,989	121,167	128,624	132,081
Other receivables	37,898	51,016	82,104	12,393
Others	1,263	1,263	1,263	339
Other taxes recoverable	22,809	61,051	98,091	130,407
	997,646	1,080,417	1,814,757	360,057
Provision for impairment	(1,656)	(10,121)	(9,482)	(10,020)
Total	995,990	1,070,296	1,805,275	350,037

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and repayable on demand.

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	1,540	1,656	10,121	9,482
Impairment losses recognised	714	8,965	1,484	1,165
Impairment losses reversed	(598)	(500)	(2,123)	(627)
At end of the year/period	1,656	10,121	9,482	10,020

From 1 January 2018, the Group has applied the general approach prescribed by IFRS 9, by measuring loss allowance at an amount equal to 12-month ECLs for deposits and other receivables in stage 1 and lifetime ECLs in stage 2 and stage 3. To measure the ECLs, deposits and other receivables have been grouped based on shared credit risk characteristics, ECLs are estimated based on historical credit loss experience, adjusted for factors that are specific to the debtors and general economic conditions.

As at 31 December 2018	**Expected loss rate**	**Gross carrying amount**	**Impairment**
		RMB'000	*RMB'000*
General item:			
Current	—	1,566,779	—
Within 1 year	0.03%	51,247	16
More than 1 year but within 2 years	10.29%	8,383	863
More than 2 years	29.84%	7,206	2,150
	0.19%	1,633,615	3,029
Apparently impaired item	100%	6,453	6,453
Total	0.58%	1,640,068	9,482

As at 30 April 2019	**Expected loss rate**	**Gross carrying amount**	**Impairment**
		RMB'000	*RMB'000*
General item:			
Current	—	71,141	—
Within 1 year	0.00%	53,067	1
More than 1 year but within 2 years	10.98%	7,279	799
More than 2 years	31.35%	5,487	1720
	1.84%	136,974	2,520
Apparently impairment items	100%	7,500	7,500
Total	6.94%	144,474	10,020

Impairment under IAS 39 for the years ended 31 December 2016 and 2017.

		Impaired		
31 December 2016	**Not impaired**	**Carrying amount**	**Provision**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	746,657	—	—	746,657
Less than 1 year past due	157,112	—	—	157,112
Over 1 year past due	22,358	15,876	(1,656)	36,578
	926,127	15,876	(1,656)	940,347

		Impaired		
31 December 2017	**Not impaired**	**Carrying amount**	**Provision**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	779,447	—	—	779,447
Less than 1 year past due	123,852	—	—	123,852
Over 1 year past due	27,876	17,301	(10,121)	35,056
	931,175	17,301	(10,121)	938,355

Included in the above provision for impairment are provisions for individually impaired other receivables of RMB106,000 and RMB8,605,000 with aggregate carrying amounts before provision of RMB484,000 and RMB8,862,000 as at 31 December 2016 and 2017, respectively.

The individually impaired other receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	84,590	202,824	219,431	226,469
Less: pledged for bank loans	(32,129)	(47,137)	(51,083)	(48,910)
pledged for others	(10,023)	(86,724)	(69,515)	(97,944)
Pledged deposits	(42,152)	(133,861)	(120,598)	(146,854)
Cash and cash equivalents	42,438	68,963	98,833	79,615

Bank deposits of RMB32,129,000, RMB47,137,000, RMB51,083,000 and RMB48,910,000 were pledged as security for purchasers' mortgage loans as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

Pursuant to relevant regulations in the PRC, certain property development companies of the Group are required to place certain amounts of cash in designated bank accounts for specified use. As at 31 December 2016, 2017 and 2018 and 30 April 2019 such restricted cash amounted to RMB10,023,000, RMB86,724,000, RMB69,515,000 and RMB97,944,000, respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximated to their fair values.

The Group's balances are all denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

28. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	421,473	815,356	568,677	466,560
6 months to 1 year	123,463	70,149	166,327	268,880
1 to 2 years	260,817	283,660	259,868	230,629
2 to 3 years	128,072	152,242	43,417	62,143
Over 3 years	17,363	27,497	59,873	58,792
	951,188	1,348,904	1,098,162	1,087,004

Trade payables are non-interest-bearing and are normally settled based on the progress of construction.

29. OTHER PAYABLES AND ACCRUALS

		31 December			30 April
	Notes	**2016**	**2017**	**2018**	**2019**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	*(a)*	934,111	1,715,337	2,072,263	2,128,006
Amounts due to related parties *(note 39)*		1,989	2,407	86,795	99,127
Other payables	*(b)*	73,674	176,876	207,675	225,256
Accrued salaries, wages and benefits		4,291	6,617	5,235	6,608
Other taxes payable		37,385	98,472	140,681	138,417
Total		1,051,450	1,999,709	2,512,649	2,597,414

Notes:

(a) Details of contract liabilities as at 31 December 2016, 2017, 2018 and 30 April 2019 are as follows:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances received from customers				
Construction contracting	80,904	87,733	121,631	155,846
Sales of properties	853,207	1,627,604	1,950,632	1,972,160
Total contract liabilities	934,111	1,715,337	2,072,263	2,128,006

Contract liabilities represent (i) advance received from customers for construction contracts when the pace of progress billings exceeds the pace of relevant construction projects, which amounted to RMB80.9 million, RMB87.7 million and RMB121.6 million and RMB155.8 million, as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively; and (ii) pre-sale proceeds in relation to property sales contracts, which amounted to RMB853.2 million, RMB1,627.6 million, RMB1,950.6 million and RMB1,972.2 million, as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

(b) Other payables are non-interest-bearing and repayable on demand.

30. INTEREST-BEARING BANK BORROWINGS

	31 December 2016			31 December 2017			31 December 2018			30 April 2019		
	Effective Interest rate (%)	*Maturity*	*RMB'000*	*Effective Interest rate (%)*	*Maturity*	*RMB'000*	*Effective Interest rate (%)*	*Maturity*	*RMB'000*	*Effective Interest rate (%)*	*Maturity*	*RMB'000*
Current												
Bank loans — secured			—			—	5.66	2019	350,000	5.66	2019	350,000
Current portion of long term bank loans — secured			—			—	4.75	2019	119,000	4.75–8.00	2019–2020	364,000
			—			—			469,000			714,000
Non-current												
Bank loans — secured	4.75	2019	90,000	4.75	2019	220,000	4.75–8.00	2021	445,000	4.75	2020–2021	100,000
			90,000			220,000			914,000			814,000

Analysed into:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings repayable:				
Within one year or on demand	—	—	469,000	714,000
In the second year	—	90,000	395,000	100,000
In the third to fifth years, inclusive	90,000	130,000	50,000	—
	90,000	220,000	914,000	814,000

The Group's borrowings are all denominated in RMB.

(a) The Group's investment properties with aggregate carrying amounts of approximately RMB134,029,000 and RMB137,665,000 as at 31 December 2018 and 30 April 2019, were pledged to secure bank borrowings granted to the Group.

(b) Certain of the Group's properties under development with aggregate carrying amounts of approximately RMB71,295,000, RMB145,613,000, RMB600,410,000 and RMB514,388,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively, have been pledged to secure bank borrowings granted to the Group.

(c) Certain of the Group' s property, plant and equipment with carrying amounts of approximately RMB19,995,000, RMB19,537,000, RMB66,038,000 and RMB64,381,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively, were pledged to secure bank borrowings granted to to the Group.

31. SHARE CAPITAL

Share

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Authorised:				
39,000,000 ordinary shares of HK$0.01 each	—	—	390	390

A summary of movements in the Company's share capital was as follows:

	Number of share in issue	Share capital
		RMB'000
At 16 November 2018 (date of incorporation)		
Issuance of new shares	100	—
At 31 December 2018	100	—
Issuance of new shares	900	—
At 30 April 2019	1,000	—

The Company was incorporated in the Cayman Islands on 16 November 2018 with an authorised share capital of HK$390,000 divided in 39,000,000 shares of HK$0.01 at par value each. On its date of incorporation, 1 ordinary share of HK$0.01 was allotted by the Company to a subscriber, and was transferred to Mr. Li Baotian.

On 16 November 2018, 99 ordinary shares of HK$0.99 were issued for cash by the Company to Mr. Li Baotian.

Mr. Li Baotian transferred his entire interests in Tianbao China Holdings Company Limited to the Company, in consideration for which, the Company allotted and issued 1 ordinary share ordinary shares, credited as fully paid at par, to Mr. Li Baotian on 7 January 2019. On the same day, Mr. Li Baotian transferred 101 ordinary shares in the Company to Jixiang International Industrial Company Limited.

On 28 April 2019, the Company allotted and issued 889 ordinary shares to Jixiang International Industrial Company Limited, a company controlled by the controlling shareholder, which were all fully paid up at a consideration of HK$8.89 .

On 29 April 2019, the Company allotted and issued 10 ordinary shares of HK$0.10 for cash to Mr. Wu Mengxia, a pre-IPO investor for all the issued shares of Excel Thrive Development Company Limited.

32. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019 are presented in the consolidated statements of changes in equity.

(a) Capital reserve

Capital reserve represents the excess capital paid over the registered capital to the Group's subsidiaries by the equity holder.

(b) Merger reserve

Merger reserve of the Group represents the issued capital and the capital contributions from the equity holders of certain subsidiaries now comprising the Group before the completion of the Reorganisation.

On April 29, 2019, the Group through its subsidiaries, Zhuozhou Tianbao Industrial and Fine Credit Investment acquired 100% equity interest in Tianbao Corporate Management from its controlling shareholder Mr. Li Baotian with cash consideration of RMB1,338.5 million, which was regarded as a deemed distribution to the Controlling Shareholder.

(c) Special reserve

In preparation of the Financial Information, the Group has appropriated certain amount of retained profits to a special reserve fund for the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019, respectively, for safety production expense purposes as required by directives issued by relevant PRC government authorities. The Group charged the safety production expense to the statement of profit or loss when such expense was incurred, and at the same time an equal amount of such special reserve fund was utilised and transferred back to retained earnings until such special reserve was fully utilised.

(d) Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under the PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

(e) Equity investments revaluation reserve

The equity investments revaluation reserve represents unrealised fair value gains or losses for equity investments at FVOCI.

(f) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

COMPANY	**Share Premium**	**Total equity**
	RMB'000	*RMB'000*
At 16 November 2018 (date of incorporation)	—	—
As at 31 December 2018 and 1 January 2019 Issuance of new shares	1,352,000	1,352,000
As at 30 April 2019	1,352,000	1,352,000

33. FINANCIAL GUARANTEE CONTRACTS

At the end of each of the Relevant Periods, financial guarantee provided for in the Historical Financial Information was as follows:

	31 December			**30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to related parties:				
Companies controlled by Mr. Li Baotian and his close associates	124,000	124,000	159,000	128,000

As at 31 December 2016, 2017, 2018 and 30 April 2019, the facilities granted to related parties subject to guarantees given to banks by the Group were utilised to the extent of approximately RMB124,000,000, RMB113,000,000, RMB148,000,000 and RMB128,000,000, respectively. The fair value of financial guarantee contracts at initial recognition is considered insignificant.

Other related party transactions are disclosed in note 39.

34. CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB458,290,000, RMB893,443,000, RMB870,896,000 and RMB855,833,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

The Group's guarantee period starts from the dates of grant of the relevant mortgage loans and ends upon the issuance of real estate ownership certificates to the purchasers, which will generally be available within one to two years after the purchasers take possession of the relevant properties.

The directors of the Group consider that the fair value of the guarantees is not significant, and in case of default on payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage principals together with the accrued interest and penalties. Therefore, no provision for the guarantees has been made in the Historical Financial Information for the years ended Relevant Periods.

Furthermore, in March 2016, a claim was brought against the Group by an individual, seeking RMB14.1 million in payment arising from construction work subcontracted from the Group. The claim arose because the plaintiff alleged that the Group failed to pay the full amount in time. The case was dismissed by the People's Court of Zhuozhou and remitted to retrial by the Intermediate People's Court of Baoding, Hebei Province as at the date of this Report. Based on the legal advice of the defense counsel for this legal proceeding, the directors believe that the plaintiff's claim for damages are without merit. Accordingly, no provisions are provided in this regard based on the directors' estimation and assessment.

35. PLEDGE OF ASSETS

Details of the Group's bank borrowings which are mortgaged by the assets of the Group or guaranteed are included in note 30 to the Historical Financial Information.

36. DISPOSALS OF SUBSIDIARIES

The Group disposed of certain subsidiaries as part of the reorganisation in the year ended 31 December 2018 and the four months ended 30 April 2019.

	31 December 2018 *RMB'000*	30 April 2019 *RMB'000*
Net assets disposed of:		
Property, plant and equipment	—	56
Intangible assets	—	7
Cash and bank balances	18	1,675
Trade receivables	100	2,163
Contract assets	—	36
Prepayments, deposits and other receivables	2,959	67,807
Trade payables	(2,496)	(2,465)
Other payables and accruals	—	(10,990)
Tax payable	—	(82)
Non-controlling interests	(271)	—
	310	58,207
Gain on disposal of subsidiaries	490	1,534
	800	59,741
Satisfied by:		
Other receivables	800	9,727
Cash	—	50,014
	800	59,741

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	31 December 2018 *RMB'000*	30 April 2019 *RMB'000*
Cash consideration	—	50,014
Cash and cash equivalents disposed of	(18)	(1,675)
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(18)	48,339

37. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (note 15) under operating lease arrangements with leases negotiated from terms ranging from one to ten years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	3,996	6,402	7,510	7,768
1 year to 2 years	3,439	3,797	3,861	3,972
2 years to 3 years	1,689	1,083	894	958
3 years to 4 years	229	229	274	344
4 years to 5 years	229	229	274	344
After 5 years	1,145	1,145	1,370	804
	10,727	12,885	14,183	14,190

38. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	31 December			30 April
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Construction contracting	18,942	49,599	133,310	163,815

39. RELATED PARTY TRANSACTIONS

(1) Name and relationship

Name of related party	**Relationships with the Group**
李保田 ("Mr. Li Baotian")	Director and Controlling Shareholder
李亞睿鑫 ("Mr. Li Yaruixin")	Director and Senior Management
臧凜 ("Mr. Zang Lin")	Director and Senior Management
王慧杰 ("Ms. Wang Huijie")	Director and Senior Management
王新玲 ("Ms. Wang Xinling")	Director and Senior Management
李國楝 ("Mr. Li Guodong")	Senior Management
涿州市天駿園林綠化有限公司 ("Zhuozhou Tianjun Landscaping Co., Ltd.")	Company controlled by Mr.Li Guodong
保鑫實業有限公司 ("Baoxin Industrial Co., Ltd.")	Company controlled by Controlling Shareholder's spouse
河北龍盾金屬結構工程有限公司 ("Hebei Longdun Structural Engineering Co., Ltd.")	Company controlled by one of Shareholder's close relative associates
張北天保投資管理有限公司 ("Zhangbei Tianbao Investment Management Co., Ltd.")	Company controlled by Mr. Li Yaruixin
涿州天保建築體系有限公司 (" Zhuozhou Tianbao Construction Co., Ltd.")	Company controlled by Mr. Li Baotian
涿州天保物業服務有限公司 (" Zhuozhou Tianbao Property Management Co., Ltd.")	Company controlled by Shareholder's spouse

(2) Significant related party transactions

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Advances to related parties	424,880	108,304	995,458	466,324	100,228
Repayments of advances to related parties	420,354	223,127	342,411	105,527	1,529,568
Advances from related parties	738	418	84,559	26,068	109,065
Repayments of advances from related parties	—	—	171	—	96,733
Purchase of materials from a related party	1,545	8,200	2,500	—	1,684
Property management fee from a related party	—	—	—	—	840

(3) Other transactions with related parties

The Controlling Shareholder and his close associates provided guarantee to the Group's interest-bearing bank borrowings of RMB90,000,000, RMB220,000,000, RMB914,000,000 and RMB529,000,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

The Group provided guarantee to the certain related parties' interest-bearing bank borrowings of RMB124,000,000, RMB124,000,000, RMB159,000,000 and RMB128,000,000 as at 31 December 2016, 2017, 2018 and 30 April 2019, respectively.

The Group disposed of two subsidiaries,the Zhuozhou Tianbao Property Management Co., Ltd. and Zhangbei Tianbao Neotype Construction Co., Ltd., to Baoxin Industrial Co., Ltd. during the four months ended 30 April 2019 at cash consideration of RMB1,588,000 and RMB8,138,000 respectively.

(4) Outstanding balances with related parties

	31 December			30 April
	2016	2017	2018	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments, other receivables and other assets *(note 26)*:				
Advances to directors *(note 20)*	811,019	704,522	1,228,227	—
Companies controlled by Controlling Shareholder's spouse or close relative associates	34,510	34,671	198,253	—
Mr. Li Guodong and company controlled by Mr. Li Guodong	36,647	35,080	70	—
Others	8,940	2,020	2,790	—
Total	891,116	776,293	1,429,340	—
Other payables and accruals *(note 29)*:				
Companies controlled by Controlling Shareholder	1,989	2,407	4,231	—
Mr. Li Baotian	—	—	—	99,127
Company controlled by Mr. Li Guodong	—	—	25,000	—
Company controlled by Mr. Li Yaruixin	—	—	52,692	—
Others	—	—	4,872	—
Total	1,989	2,407	86,795	99,127

Balances with the above related parties were unsecured, non-interest bearing, repayable on demand and non-trade.

(5) Compensation of senior management personnel:

	Year ended 31 December			Four months ended 30 April	
	2016	**2017**	**2018**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Short-term employee benefits	575	691	893	271	236
Pension scheme contributions	165	174	206	67	58
Total compensation paid to senior management personnel	740	865	1,099	338	294

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

31 December 2016

Financial assets

	Loans and receivables	**Available-for-sale financial assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets	942,003	—	942,003
Available-for-sale investments	—	128,100	128,100
Trade receivables	236,092	—	236,092
Pledged deposits	42,152	—	42,152
Cash and cash equivalents	42,438	—	42,438
	1,262,685	128,100	1,390,785

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	951,188
Financial liabilities included in other payables and accruals	75,663
Interest-bearing bank borrowings	90,000
	1,116,851

31 December 2017

Financial assets

	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Financial assets included in prepayments, other receivables and other assets	948,476	—	948,476
Available-for-sale investments	—	128,100	128,100
Trade receivables	235,419	—	235,419
Pledged deposits	133,861	—	133,861
Cash and cash equivalents	68,963	—	68,963
	1,386,719	128,100	1,514,819

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade payables	1,348,904
Financial liabilities included in other payables and accruals	179,283
Interest-bearing bank borrowings	220,000
	1,748,187

31 December 2018

Financial assets

	Loans and receivables *RMB'000*	Available-for-sale financial assets *RMB'000*	Total *RMB'000*
Financial assets included in prepayments, other receivables and other assets	1,640,068	—	1,640,068
Equity investments designated at fair value through other comprehensive income	—	136,391	136,391
Trade receivables	321,440	—	321,440
Pledged deposits	120,598	—	120,598
Cash and cash equivalents	98,833	—	98,833
	2,180,939	136,391	2,317,330

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	1,098,162
Financial liabilities included in other payables and accruals	294,470
Interest-bearing bank borrowings	914,000
	2,306,632

30 April 2019

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	*RMB'000*	*RMB'000*
Financial assets included in prepayments, other receivables and other assets	144,474	—	144,474
Available-for-sale investments	—	140,000	140,000
Trade receivables	141,712	—	141,712
Pledged deposits	146,854	—	146,854
Cash and cash equivalents	79,615	—	79,615
	512,655	140,000	652,655

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade payables	1,087,004
Financial liabilities included in other payables and accruals	324,383
Interest-bearing bank borrowings	814,000
	2,225,387

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments as at the end of each of the Relevant Periods, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts			
	31 December 2016	**31 December 2017**	**31 December 2018**	**30 April 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	—	136,391	140,000

	Fair values			
	31 December 2016	**31 December 2017**	**31 December 2018**	**30 April 2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at fair value through other comprehensive income	—	—	136,391	140,000

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The management has applied the comparable companies' market value approach in determining fair value of unlisted equity investments, which is classified as equity investments at FVOCI under IFRS 9, using price to earnings ratio ("P/E") and price to book ratio ("P/B") multiples, which are calculated by using comparable companies' financial statements, to determine the fair value of the unlisted equity investments and taking into account of marketability discount as the appropriate adjustment. Comparable companies are based on similarity of business nature and profitability. The fair value measurement of the equity investments at FVOCI is categorised within Level 3 of the fair value hierarchy.

The fair values of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2016, 2017, 2018 and 30 April 2019 was assessed to be insignificant.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and liabilities.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2018 and 30 April 2019 respectively:

			31 December 2018		30 April 2019	
	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input	Range	Sensitivity of fair value to the input
Investment A	Valuation multiples	Median P/E multiple of peers	6.68	A low end of 5.4 and high end of 10.8 P/E multiple used would result in a different in fair value of RMB109,000,000	6.65	A low end of 6.1 and high end of 12.2 P/E multiple used would result in a difference in fair value of RMB129,000,000
		Discount for Lack of marketability	20%	5% increase/decrease in multiple would result in decrease/ increase in fair value by RMB1,500,000	20%	5% increase/decrease in multiple would result in decrease/ increase in fair value by RMB2,000,000
Investment B	Valuation multiples	Median P/B multiple of peers	1.15	A low end of 0.8 and a high P/B multiple used would result in a different in fair value of RMB536,000		
		Discount for Lack of marketability	30%	5% increase/decrease in multiple would result in decrease/ increase in fair value by RMB9,000		

The discount for lack of marketability represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, trade payables and financial liabilities included in other payables and accruals, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank borrowings, amounts due to related companies and amounts due from related companies. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. Generally, the Group introduces conservative strategies on its risk management. To keep the Group's exposure to these risks to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings set out in note 30. The Group does not use derivative financial instruments to hedge interest rate risk. We manage our interest cost using variable rate bank borrowings.

If the interest rate of bank borrowings had increased/decreased by 1% and all other variables held constant, profit before tax of the Group, through the impact on floating rate borrowings, would have decreased/increased by approximately RMB613,000, RMB448,000, RMB505,000 and RMB688,000 for the years ended 31 December 2016, 2017, 2018 and the four months ended 30 April 2019, respectively.

(b) Credit risk

Under IAS 39

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meet its contractual obligations from 1 January 2016 to 31 December 2017.

The Group has no significant concentration of credit risk. The carrying amount of the trade receivables represents the Group's maximum exposure to credit risk in relation to such financial assets. The Group has policies to ensure that sales are made to customers with an appropriate credit history.

The credit risk of the Group's other financial assets, which mainly comprise pledged deposits, cash and cash equivalents, financial assets included in prepayments, other receivables and other assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments as at 31 December 2016 and 2017.

Under IFRS 9

The carrying amounts of pledged deposits, cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets included in the statements of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2018 and 30 April 2019.

As at 31 December 2018 and 30 April 2019, all pledged deposits and cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk. These financial assets were not yet past due and their credit exposure is classified as stage 1.

The Group groups financial instruments on basis of shared credit risk characteristics, such as instrument type and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment. To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made only to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of the Group's counterparties. The credit period granted to the customers is generally from three to six months and the credit quality of these customers is assessed, taking into account their financial position, past experience and other factors. The Group also has other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews regularly the recoverable amount of trade receivables to ensure that adequate impairment losses are made for irrecoverable amounts. The Group has no significant concentrations of credit risk, with exposure spread over a large number of counterparties and customers.

For trade receivables and contract assets, the Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit losses also incorporated forward looking information based on key economic variables such as the Gross Domestic Product.

General approach applies to financial assets included in prepayments, other receivables and other assets, pledged to deposits and cash and cash equivalents. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation;

The Group has established a policy to perform an assessment for the period beginning on or after 1 January 2018, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Group groups its other receivables and amounts due from related companies into Stage 1, Stage 2 and Stage 3, as described below:

Stage 1 When other receivables are first recognised, the Group recognises an allowance based on 12 months' ECLs.

Stage 2 When other receivables has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECLs.

Stage 3 Other receivables considered credit impaired. The Group records an allowance for the lifetime ECLs.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other assets as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. As at 31 December 2018 and 30 April 2019, the Group classified financial assets included in prepayments, other receivables and other assets as stage 1 and continuously monitored their credit risk except for apparently impaired items which are classified as stage 3 since significant increase in credit risk was noted. The gross carrying amount of RMB1,640,068,000 at 31 December 2018 and RMB144,474,000 at 30 April 2019 represent the maximum exposure to credit risk. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of financial assets included in prepayments, other receivables and other assets.

(c) Liquidity risk

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on contractual undiscounted payments, is as follows:

31 December 2016

	On demand or no fixed terms of repayments	**Within one year**	**Over one year**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to related parties	—	124,000	—	124,000
Guarantees in respect of mortgage facilities	458,290	—	—	458,290
Trade payables	—	951,188	—	951,188
Financial liabilities included in other payables and accruals	75,663	—	—	75,663
Interest-bearing bank borrowings	—	3,564	94,079	97,643
	533,953	1,078,752	94,079	1,706,784

31 December 2017

	On demand or no fixed terms of repayments	Within one year	Over one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to related parties	—	113,000	—	113,000
Guarantees in respect of mortgage facilities	893,443	—	—	893,443
Trade payables	—	1,348,904	—	1,348,904
Financial liabilities included in other payables and accruals	179,283	—	—	179,283
Interest-bearing bank borrowings	—	9,739	228,214	237,953
	1,072,726	1,471,643	228,214	2,772,583

31 December 2018

	On demand or no fixed terms of repayments	Within one year	Over one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to related parties	—	148,000	—	148,000
Guarantees in respect of mortgage facilities	870,896	—	—	870,896
Trade payables	—	1,098,162	—	1,098,162
Financial liabilities included in other payables and accruals	294,470	—	—	294,470
Interest-bearing bank borrowings	—	490,122	455,531	945,653
	1,165,366	1,736,284	455,531	3,357,181

30 April 2019

	On demand or no fixed terms of repayments	Within one year	Over one year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to related parties	—	128,000	—	128,000
Guarantees in respect of mortgage facilities	855,833	—	—	855,833
Trade payables	—	1,087,004	—	1,087,004
Financial liabilities included in other payables and accruals	324,383	—	—	324,383
Interest-bearing bank borrowings	—	754,915	102,553	857,468
	1,180,216	1,969,919	102,553	3,252,688

(d) Capital management

The Group's primary objective for managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, by pricing services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The group includes, within in net debt, trade payables, other payables and accruals and interest-bearing bank borrowings less cash and cash equivalents. Capital represents the equity attributable to owners of the parent stated in the consolidated statements of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy level in order to support its business. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its businesses. The gearing ratios as at the end of each of the Relevant Periods are as follows:

		31 December		**30 April**
	2016	**2017**	**2018**	**2019**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	951,188	1,348,904	1,098,162	1,087,004
Other payables and accruals	1,051,450	1,999,709	2,512,649	2,597,414
Interest-bearing bank borrowings	90,000	220,000	914,000	814,000
Less: cash and cash equivalents	42,438	68,963	98,833	79,615
Net debt	2,050,200	3,499,650	4,425,978	4,418,803
Equity attributable to owners of the parent	904,586	964,046	1,678,921	392,910
Capital and net debt	2,954,786	4,463,696	6,104,899	4,811,713
Gearing ratio	69%	78%	72%	92%

43. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financing activities

	Advances from related parties *RMB'000*	Interest-bearing bank borrowings *RMB'000*	Interest payable included in other payables and accruals *RMB'000*
At 1 January 2016	1,251	93,000	—
Addition	738	90,000	—
Interest expense	—	—	6,129
Capitalised interest classified as investing cash flows	—	—	1,150
Payment	—	(93,000)	(7,279)
At 31 December 2016 and 1 January 2017	1,989	90,000	—
Addition	418	130,000	—
Interest expense	—	—	4,484
Capitalised interest classified as investing cash flows	—	—	2,813
Payment	—	—	(7,297)
At 31 December 2017 and 1 January 2018	2,407	220,000	—
Addition	84,559	700,000	—
Interest expense	—	—	5,050
Capitalised interest classified as investing cash flows	—	—	24,744
Payment	(171)	(6,000)	(29,794)
At 31 December 2018 and 1 January 2019	86,795	914,000	—
At 31 December 2017 and 1 January 2018	2,407	220,000	—
Addition	26,068	300,000	—
Interest expense	—	—	1,437
Capitalised interest classified as investing cash flows	—	—	2,875
Payment	—	—	(4,312)
At 30 April 2018	28,475	520,000	—
At 31 December 2018 and 1 January 2019	86,795	914,000	—
Addition	109,065	—	—
Interest expense	—	—	6,875
Capitalised interest classified as investing cash flows	—	—	10,794
Payment	(96,733)	(100,000)	(17,669)
At 30 April 2019	99,127	814,000	—

44. INVESTMENT IN A SUBSIDIARY

COMPANY	*RMB'000*
As at 1 January 2019	—
Additions during the period	1,352,000
As at 30 April 2019	1,352,000

Particulars of principal subsidiaries are disclosed in note 1 to the Historical Financial Information.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 April 2019.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets attributable to the Shareholders 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 the Shareholders of our Company as at 30 April 2019, as if the Global Offering had taken place on 30 April 2019.

The statement of unaudited pro forma 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 30 April 2019 or at any future date.

	Consolidated net tangible assets attributable to Shareholders of the Company as at 30 April 2019(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to the Shareholders of our Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB(3)*	*HK$(4)*
Based on an Offer Price of HK$2.16 per Offer Share, after a Downward Offer Price Adjustment of 10%	392,120	330,241	722,361	0.90	1.00
Based on an Offer Price of HK$2.39 per Share	392,120	368,302	760,422	0.95	1.05
Based on an Offer Price of HK$3.10 per Share	392,120	485,793	877,913	1.10	1.22

Note:

(1) The consolidated net tangible assets attributable to the Shareholders of the Company as at 30 April 2019 is extracted from the Accountants' Report set out in Appendix I in this prospectus, which is based on the consolidated net assets attributable to the Shareholders of the Company as at 30 April 2019 of RMB392,910,000 after deducting intangible assets of RMB790,000.

(2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK$2.39 per share and HK$3.10 per share and also based on an offer price of HK$2.16 per offer share after making a downward offer price adjustment of 10%, after deducting the underwriting fees and other related expenses payable by the Company, without taking account of the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted into Renminbi at the PBOC rate of RMB1.00 = HK$1.1094 prevailing on 21 October 2019. No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share is arrived at by dividing the unaudited pro forma adjusted net tangible assets by 800,000,000 Shares, being the number of shares in issue assuming that the Capitalization Issue and Global Offering had been completed on 30 April 2019, without taking account of the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share amounts in RMB are converted into Hong Kong dollars at RMB1.00 = HK$1.1094 prevailing on 21 October 2019. No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.

(5) No adjustments have been made to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2019.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from the reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of China Tianbao Group Development Company Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Tianbao Group Development Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 April 2019 and related notes as set out on pages II-1 to II-2 of the prospectus dated 30 October 2019 issued by the Company (the "Pro Forma Financial Information"). 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 Global Offering of the Company on the Group's financial position as at 30 April 2019 as if the transaction had taken place at 30 April 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial statements for the period ended 30 April 2019, on which an accountants' report has been published.

Directors' responsibility 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 ("AG") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "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.

Our 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*, 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 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 purposes 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 the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of the Company on unadjusted financial information of the Group as if 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 the transaction 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 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 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.

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 purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Certified Public Accountants
Hong Kong
30 October 2019

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 August 2019 of the selected property interests held by the Group.

JLL
仲量聯行

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Company Licence No.: C-030171

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公司牌照號碼：C-030171

The Board of Directors
China Tianbao Group Development Company Limited
PO Box 1350, Clifton House
75 Fort Street
Grand Cayman, KY1-1108
Cayman Islands

30 October 2019

Dear Sirs,

In accordance with your instructions to value the selected property interests held by **China Tianbao Group Development Company Limited** (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 inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the selected property interests as at 31 August 2019 (the "**valuation date**").

For the purpose of this report, we classified these properties as the property interests relating to "property activities" which mean holding (directly or indirectly) and/or development of properties for letting or retention as investments, or the purchase or development of properties for subsequent sale, or for subsequent letting or retention as investments.

Furthermore, we have adopted the below guidance on what constitutes a property interest:

(a) one or more units in the same building or complex;

(b) one or more properties located at the same address or lot number;

(c) one or more properties comprising an integrated facility;

(d) one or more properties, structures or facilities comprising a property development project (even if there are different phases);

(e) one or more properties held for investment within one complex;

(f) one or more properties, structures or facilities located contiguously to each other or located on adjoining lots and used for the same or similar operational/business purposes; or

(g) a project or phases of development presented to the public as one whole project or forming a single operating entity.

Our valuation is carried out on a market value basis. Market value is defined 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 wherein the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests in Group I which are held for sale, property interests in Group IV which are held for future development and a clubhouse of property no. 8 in Group V which is held for owner-occupation by the Group by the comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the market. 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.

For the purpose of our valuation, real estate developments for sale are those the Construction Work Completion and Inspection Certificate/Tables or Building Ownership Certificates/Real Estate Title Certificates thereof are issued by the relevant local authorities, and this also includes those property interests which have been contracted to be sold, but the formal assignment procedures of which have not yet been completed; and property developments for future development are those the Construction Work Commencement Permits are not issued while the State-owned Land Use Rights Certificates have been obtained, and this also includes those property interests of which the State-owned Land Use Rights Grant Contract have been signed, but the State-owned Land Use Rights Certificates have not been issued.

We have valued property no. 3 (classified in Group II and Group V) by the income approach by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sales transactions as available in the relevant market.

In valuing the property interests in Group III which are held under development by the Group, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the development. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

For the purpose of our valuation, property developments under development are those for which the Construction Works Commencement Permits have been issued while the Construction Work Completion and Inspection Certificate/Tables have not been issued.

Due to the nature of the buildings and structures in Group V which are held for owner-occupation by the Group (except for the owner-occupied portion of property no. 3 and the clubhouse of property no. 8) and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense 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 value.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards 2017 published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificate, Building Ownership Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in China and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisors — Jia Yuan Law Offices, concerning the validity of the property interests in China.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in April 2019 by Ms. Gloria Wang who is a China Certified Real Estate Appraiser and have 11 years' experiences in the property valuation in the PRC, and Ms. Ivy Zheng and Mr. Shuo Yang who has 11 years' experience and 1 year's experience respectively in the property valuation in the PRC.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 25 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I:	Completed Properties held for sale in the PRC
Group II:	Property held for investment by the Group in the PRC
Group III:	Properties held under development by the Group in the PRC
Group IV:	Properties held for future development by the Group in the PRC
Group V:	Properties held for owner-occupation by the Group in the PRC
"N/A":	Not Available or Not Applicable

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	Market value in existing state as at the valuation date *RMB* Group V:	The total market value in existing state as at the valuation date *RMB*
1.	Project Tianbao Green City (天保綠城) located at the northern side of Guanyun Road and the western side of Xuyi Village Zhuozhou City Baoding City Hebei Province The PRC	N/A	N/A	1,012,000,000[(1)]	N/A	N/A	1,012,000,000
2.	Unsold units of Project Lingyun City (天保淩雲城) located at the northern side of Songgao Road Songlindian Town Zhuozhou City Baoding City Hebei Province The PRC	196,000,000	N/A	N/A	N/A	N/A	196,000,000
3.	Project Baoxin International Building (保鑫國際大厦) located at No. 33 Guanyun East Road Zhuozhou City Baoding City Hebei Province The PRC	N/A	140,900,000	N/A	N/A	97,800,000	238,700,000
4	Project Tianbao Jingbei Health City (天保京北健康城) located at Tumu Village, Tumu Town Huailai County Zhangjiakou City Hebei Province The PRC	N/A	N/A	209,000,000	513,300,000	N/A	722,300,000
5.	Project Tianbao Edelweiss City (天保雪絨花都) located at the eastern side of Qilihe Village Yu County, Zhangjiakou City Hebei Province The PRC	N/A	N/A	482,000,000	170,000,000	N/A	652,000,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	Market value in existing state as at the valuation date *RMB* Group V:	The total market value in existing state as at the valuation date *RMB*
6.	Unsold units of Project Tianhe Penghua (田合鵬華) located at No. 128 Huayang Road Zhuozhou City Baoding City Hebei Province The PRC	72,000,000	N/A	N/A	N/A	N/A	72,000,000
7.	Project Ming Yang Phase I (明陽一期) located at Xiguo Village, Matou Town Zhuozhou City Baoding City Hebei Province The PRC	N/A	N/A	395,500,000	N/A	N/A	395,500,000
8.	Project Tianbao New City (天保新城) located at the eastern side of Zhongdu Street and the southern side of Xinghe Road Zhangbei County Zhangjiakou City Hebei Province The PRC	125,700,000	N/A	1,336,300,000	N/A	18,400,000	1,480,400,000
9.	Project Zhangbei Fuxinyuan Shanty-town Improvement (張北縣福馨苑棚戶區改造項目) located at the eastern side of Jingdu Road, Zhangbei County Zhangjiakou City Hebei Province The PRC	N/A	N/A	421,800,000	N/A	N/A	421,800,000
10.	A parcel of land of Project Zhangbei Haiziwa Land Lot (海子洼空地) located at the western side of Haiziwa Scenic Area Zhangbei County Zhangjiakou City Hebei Province The PRC	N/A	N/A	N/A	36,400,000	N/A	36,400,000
11.	Project Haiziwa Hotel (海子洼酒店) located at the south-eastern side of Haiziwa County Zhangbei County Zhangjiakou City Hebei Province The PRC	N/A	N/A	217,700,000	N/A	N/A	217,700,000

No.	Property	Market value in existing state as at the valuation date *RMB* Group I:	Market value in existing state as at the valuation date *RMB* Group II:	Market value in existing state as at the valuation date *RMB* Group III:	Market value in existing state as at the valuation date *RMB* Group IV:	Market value in existing state as at the valuation date *RMB* Group V:	The total market value in existing state as at the valuation date *RMB*
12.	A parcel of land of Project Zhangbei Zhongdu Garden (中都莊園) located at the western side of Zhanghua Highway and the northern side of Zhangshang Highway Zhangbei County Zhangjiakou City Hebei Province The PRC	N/A	N/A	N/A	71,800,000	N/A	71,800,000
13.	Project Zhangbei Composit Light Plant (張北CL體系生產基地) located at the western side of Yongchun North Road, inside the Miao Tan Industrial Park Zhangbei County Zhangjiakou City Hebei Province The PRC	N/A	N/A	N/A	N/A	43,600,000	43,600,000
14.	Project Zhuozhou Composit Light Plant (涿州CL體系生產基地) located at the northern side of Guanyun East Road and the eastern side of Chuangxin Road Zhuozhou City Baoding City Hebei Province The PRC	N/A	N/A	N/A	N/A	81,800,000	81,800,000
15.	2 parcels of land of Project Boyue Bay (鉑悅灣) located at Lipuzi Village Yuzhou Town, Yu County Zhangjiakou City Hebei Province The PRC	N/A	N/A	N/A	255,000,000	N/A	255,000,000
	Total:	**393,700,000**	**140,900,000**	**4,074,300,000**	**1,046,500,000**	**241,600,000**	**5,897,000,000**

Note :

(1) In accordance with our site inspection and the information provided by the Group, a building of the property with a total gross floor area of approximately 21,901.50 sq.m. had been completed as at the valuation date without any outstanding construction cost, but the Construction Work Completion and Inspection Certificate is still in the process of application. Considering the fact that the Construction Work Completion and Inspection Certificate for the building has not been obtained, we have classified this part of the property in Group III — held under development by the Group.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
1.	Project Tianbao Green City (天保綠城) located at the northern side of Guanyun Road and the western side of Xuyi Village Zhuozhou City Baoding City Hebei Province The PRC	Project Tianbao Green City is located at Zhuozhou High-speed railway station area where the provincial transportation network is convenient. The property occupies 2 parcels of land with a total site area of approximately 33,764.09 sq.m. which will be developed into a residential development with a total planned gross floor area ("GFA")of approximately 105,173.32 sq.m. The property will be divided into two parts. Part A is Building no. 5 which is a high-rise residential building completed in 2009 with a total GFA of approximately 23,244.56 sq.m. For Part B, it includes Building nos.1 to 4 with a total planned GFA of approximately 81,928.76 sq.m. As at the valuation date, Part B of the property was under construction. However, it had been completed at the end of September 2019. Details of the area are set out in note 7. As advised by the Group, the total construction cost (excluding land cost and financial cost) of Part B of the property is estimated to be approximately RMB231,600,000, of which approximately RMB229,400,000 had been paid up to the valuation date. The land use rights of the property have been granted for terms expiring on 2 December 2083 and 24 January 2086 for residential use.	As at the valuation date, most units of Part A were vacant for sale except that several pre-sold completed units were occupied by the purchasers and Part B was under construction.	1,012,000,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated 22 December 2015, the land use rights of 2 parcels of land with a total site area of approximately 33,764.09 sq.m. were contracted to be granted to Tianbao Property Development Company Limited ("Tianbao Property Development ", an indirect wholly-owned subsidiary of the Company) for terms of 70 years for residential use. The total land premium was RMB34,435,400. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 2 State-owned Land Use Rights Certificates — Zhuo Guo Yong (2014 Geng) Di No. 06–004 and Zhuo Guo Yong (2016 Pai) Di No. 003, the land use rights of 2 parcels of land with total site area of approximately 33,764.09 sq.m. have been granted to Tianbao Property Development for terms expiring on 2 December 2083 and 24 January 2086 for residential use.

3. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 130681201600060 and 130681201700010 in favour of Tianbao Property Development, Project Tianbao Green City with a total GFA of approximately 105,173.32 sq.m. (including the low-income housing portion which will be delivered to the government) has been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — 130681201703210101 and 130681201703100101 in favour of Tianbao Property Development, permissions by the relevant local authority were given to commence the construction of Project Tianbao Green City with a GFA of approximately 105,173.32 sq.m. (including the low-income housing portion which will be delivered to the government).

5. Pursuant to 2 Pre-sale Permits — Zhuo Fang Yu Shou Zheng (2017) Di Nos. 015 and 016 in favour of Tianbao Property Development, the Group is entitled to sell portions of Project Tianbao Green City (representing a total GFA of approximately 78,319.95 sq.m.) to purchasers.

6. In accordance with our site inspection and the information provided by the Group, Part A of the property has been completed as at the valuation date without any outstanding construction cost, but the Construction Work Completion and Inspection Certificate of Part A is still in the process of application. Considering the fact that the Construction Work Completion and Inspection Certificate for Part A has not yet been obtained, we have classified this part of the property in Group III — held under development by the Group.

7. According to the information provided by the Group, the GFA of the property is set out as below:

Part	**Status**	**Usage**	**GFA/Planned GFA** *(sq.m.)*
Part A	Completed	Residential (Building no. 5)	21,901.50
		Underground storage spaces	1,343.06
		Sub-total:	23,244.56
Part B	Under construction	Residential	55,349.56
		Retail	1,068.89
		Low-income housing	8,682.93
		Underground storage spaces	2,953.58
		Underground car parking spaces	13,873.80
		Sub-total:	81,928.76
		Grand-total:	105,173.32

8. As advised by the Group, 468 residential units with a total GFA of approximately 40,139.82 sq.m. have been pre-sold to various third parties at a total consideration of RMB422,706,608. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

9. The market value of Part B of the project as if completed as at the valuation date was estimated to be RMB895,500,000.

10. As advised by the Group, low-income housing portion of the project will be handed over to local government for free when it is completed.

11. Our valuation has been made on the following basis and analysis:

    a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB13,000 to RMB17,000 per sq.m. for residential units, and RMB17,000 to RMB20,000 per sq.m. for retail units on the first floor. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and

    b. We have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites range from about RMB6,500 to RMB7,500 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

12. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

    a. the Group has paid the land premiums in respect of the property in full and obtained the valid State-owned Land Use Rights Certificates;

    b. the land use rights of the property are subject to a mortgage. Except for this mortgage, in accordance with the PRC laws, the Group has obtained the subject land use rights legally and validly, and is the legal user of the land and has the legal rights to transfer, lease, and mortgage the land use rights of the property;

    c. the property had been pre-sold before Pre-sale Permit issued on 11 April 2017. In accordance with Explanation Letter dated 28 April 2019 issued by Zhuozhou City Housing and Urban-Rural Construction Bureau, this violation of Tianbao Green City would not be subject to administrative penalty since the Pre-sale Permit has been issued and no significant consequences have been caused;

    d. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found; and

    e. the Group has obtained the requisite approvals in respect of the construction and sale of the property from local authorities and the approvals are legal and valid.

13. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	No[(1)]

(1) Please refer to note 6

14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	1,012,000,000
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	N/A
Total:	1,012,000,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
2.	Unsold units of Project Tianbao Lingyun City (天保淩雲城) located at the northern side of Songgao Road Songlindian Town Zhuozhou City Baoding City Hebei Province The PRC	Project Tianbao Lingyun City is a residential development completed in April 2019. It is located at the northern side of Songgao Road, Songlindian Town, Zhuozhou City. The locality is well served by public transportation and public facilities. This area will be developed into a middle-class residential community. The property comprises the unsold residential and retail units of the project with a total gross floor area of approximately 13,030.48 sq.m. and 4,658.27 respectively. The land use rights of the property have been granted for a term expiring on 24 February 2085 for residential use.	As at the valuation date, the unsold units of the property were vacant for sale.	196,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 26 January 2015, the land use rights of a parcel of land with a site area of approximately 26,666.66 sq.m. were contracted to be granted to Tianbao Property Development Company Limited ("Tianbao Property Development", an indirect wholly-owned subsidiary of the Company) for a term of 70 years for residential use. The total land premium was RMB60,010,000. As advised by the Group, the land premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate — Zhuo Guo Yong (2015 Pai) Di No. 014, the land use rights of a parcel of land with a site area of approximately 26,666.66 sq.m. have been granted to Tianbao Property Development for a term expiring on 24 February 2085 for residential use.

3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 130681201500064 in favour of Tianbao Property Development, Project Tianbao Lingyun City with a total gross floor area of approximately 89,229.11 sq.m. (including the low-income housing portion which will be delivered to the government) has been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Zhuo Song Kai (2016) 001 and Zhuo Song Kai (2017) 001 in favour of Tianbao Property Development, permissions by the relevant local authority were given to commence the construction of Project Tianbao Lingyun City with a total gross floor area of approximately 89,120.79 sq.m. (including the low-income housing portion).

5. Pursuant to a Pre-sale Permit — Zhuo Fang Yu Shou Zheng (2017) Di No. 005 in favour of Tianbao Property Development, the Group is entitled to sell Project Tianbao Lingyun City (representing a total gross floor area of approximately 61,038.00 sq.m.) to purchasers. Subject to the actual area of surveying and mapping, Tianbao Lingyun City has total saleable gross floor area of approximately 60,902.59 sq.m. (including sold and delivered units).

6. Pursuant to a Construction Work Completion and Inspection Certificate dated 2 April 2019 in favour of Tianbao Property Development, the construction of the project with a total gross floor area of approximately 89,120.79 sq.m. has been completed and passed the inspection acceptance.

7. As advised by the Group, 48 residential units with a total gross floor area of approximately 4,005.31 sq.m. have been sold to various third parties at a total consideration of RMB35,655,443. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

8. As advised by the Group, low-income housing portion of the project will be handed over to local government for free when it is completed.

9. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB9,000 to RMB12,000 per sq.m. for residential units, and RMB12,000 to RMB16,000 per sq.m. for retail units on the first floor. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

    a. the Group has paid the land premium in respect of the property in full and obtained the valid State-owned Land Use Rights Certificate;

    b. the Group has the legal rights to transfer, lease and mortgage the land use rights of the property;

    c. the property had been pre-sold before Pre-sale Permit issued on 23 February 2017. In accordance with Explanation Letter dated 28 April 2019 issued by Zhuozhou City Housing and Urban-Rural Construction Bureau, this violation of Tianbao Lingyun City would not be subject to administrative penalty since the Pre-sale Permit has been issued and no significant consequences have been caused;

    d. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found; and

    e. the Group has obtained the requisite approval in respect of the construction and sale of the property from local authorities and the approvals are legal and valid.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	Yes
f.	Construction Work Completion and Inspection Certificate/Table	Yes
g.	Building Ownership Certificate	N/A

12. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	196,000,000
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	N/A
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	N/A
Total:	196,000,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
3.	Project Baoxin International Building (保鑫國際) located at No. 33 Guanyun East Road Zhuozhou City Baoding City Hebei Province The PRC	Project Baoxin International Building is located at No. 33 Guanyun East Road Zhuozhou City. The property is the first high-grade office building in Zhuozhou City and it is next to the high-speed railway station. As a newly developing area, public transportation and amenities around the property are under further improvement. The property occupies a parcel of land with a site area of approximately 17,792.42 sq.m. It is a 24-storey office building completed in May 2016 and has a total gross floor area of approximately 50,039.66 sq.m. Details of the area are set out in note 4. The land use rights of the property have been granted for a term expiring on 2 December 2053 for commercial use.	As at the valuation date, portions of the property with a total gross floor area of approximately 12,069.04 sq.m. were leased to various tenants and the other portion of approximately 13,954.96 sq,m. were vacant to rent, whilst the remaining portions with total gross floor area of approximately 18,312.06 sq.m. were self-used by the Group.	238,700,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Zhuo Guo Yong (2013 Geng) Di No. 06–161, the land use rights of a parcel of land with a site area of approximately 17,792.42 sq.m. have been granted to Tianbao Property Development Company Limited ("Tianbao Property Development", an indirect wholly-owned subsidiary of the Company) for a term expiring on 2 December 2053 for commercial use.

2. Pursuant to 19 Real Estate Title Certificates — Ji (2018) Zhuo Zhou Shi Bu Dong Chan Quan Nos. 0001829, 0001825, 0001818, 0001830, 0001819, 0001822, 0001817, 0001824, 0001827, 0001816, 0001821, 0001823, 0001826, 0001815, 0001812, 0001813, 0001828, 0001820 and 0001814 in favour of Tianbao Property Development, various office units of the property with a total gross floor area of approximately 44,336.06 sq.m. are owned by Tianbao Property Development.

3. Pursuant to 22 Tenancy Agreements, portions of the property with a total gross floor area of approximately 12,069.04 sq.m. were leased to various tenants (independent third parties) with the expiry dates between 18 November 2019 and 5 August 2022 at a monthly rent ranging from RMB29 to RMB52 per sq.m., exclusive of VAT and management fees.

4. According to the information provided by the Group, the gross floor area of the property is set out as below:

Group	Status	Usage	Gross Floor Area *(sq.m.)*
II	Completed	Office (for rent)	26,024.00
V	Completed	Office (self-use)	18,312.06
		Underground	5,703.60
		Total:	50,039.66

5. Our valuation has been made on the following basis and analysis:

   a. in undertaking our valuation, we have considered the actual rents in the existing tenancy agreement and also compared with similar properties located in the same business circle and/or nearby within reasonable walking distance. We adopted market rent when calculating (i) the reversionary rental income after the expiry of the existing lease for occupied area, and (ii) the rental income of vacant area;

   b. market rents of the comparable properties are in the range of RMB40 to RMB52 per sq.m. per month, appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at the market rent; and

   c. based on our research, the stabilized market yield of similar properties is in the range of 5.5% to 6.5% as at the valuation date. Considering the location and characteristics of the property, we have applied a market yield of 6% in the valuation.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has legally obtained the Real Estate Title Certificate, and has the legal rights to occupy, use, lease and otherwise dispose of the property;

   b. the land use rights of the property are subject to a mortgage. Except for this mortgage, in accordance with the PRC laws, the Group has obtained the subject land use rights legally and validly, and is the legal user of the land and has the legal rights to transfer, lease, and mortgage the land use rights of the property;

   c. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found; and

   d. the tenancy agreements mentioned in note 3 have not been registered, the lack of tenancy registration will not affect the validity of tenancy agreements of the property; however, the Group may be penalized arising from the failure of registration; as confirmed by the Group, they have not received any penalty from relevant authorities and such circumstance would not cause material legal impediment to the Group's business operation.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Real Estate Title Certificates	Yes

8. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	140,900,000
Group III — Held under development by the Group	N/A
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	97,800,000
Grand-total:	238,700,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
4.	Project Tianbao Jingbei Health City (天保京北健康城) located at Tumu Village Tumu Town Huailai County Zhangjiakou City Hebei Province The PRC	Project Tianbao Jingbei Healthy City is located at Tumu Village, Tumu Town, Huailai County, Zhangjiakou City. There are several residential projects under construction in the surrounding area, and the neighboring public transportation and amenities are under further improvement. The property comprises Part A and Part B. Part A (Commercial section) of the property occupies a parcel of land with a site area of approximately 54,168.93 sq.m., and it will be developed into a mixed-use development with commercial apartment, hospital and ancillary components with a total planned gross floor area ("GFA") of approximately 140,863.73 sq.m. Part A of the property is under construction and scheduled to be completed in July 2021. Part B of the property comprises 3 parcels of land with a total site area of approximately 145,569.47 sq.m., and it will be developed into a residential development which is named as Tianbao Hushan Yard with a plot ratio accountable GFA of approximately 291,139.00 sq.m. As advised by the Group, the total construction cost (excluding land cost and financial cost) of Part A of the property is estimated to be approximately RMB334,000,000, of which approximately RMB84,900,000 had been paid up to the valuation date. Details of the area are set out in note 7. The land use rights of the property have been granted for terms expiring on 8 October 2057 for commercial use, and 8 October 2087 and 27 September 2088 for residential use.	As at the valuation date, Part A of the property was under construction and Part B of the property was bare land for future development.	722,300,000

Notes:

1. Pursuant to 4 State-owned Land Use Rights Grant Contracts — Nos. C13073020170043, C13073020170044, C13073020180017 and C13073020180018, the land use rights of 4 parcels of land with a total site area of approximately 199,738.40 sq.m. were contracted to be granted to Huailai Tianbao Property Development Company Limited ("Huailai Tianbao Property Development", an indirect wholly-owned subsidiary of the Company) for terms of 40 years and 70 years for commercial and residential uses respectively. The total land premium was RMB523,400,000. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 4 Real Estate Title Certificates — Ji (2017) Huai Lai Xian Bu Dong Chan Quan No. 0000490, and Ji (2018) Huai Lai Xian Bu Dong Chan Quan Nos. 0000075, 0003610 and 0003612, the land use rights of 4 parcels of land with a total site area of approximately 199,738.40 sq.m. have been granted to Huailai Tianbao Property Development for terms expiring on 8 October 2057 for commercial use, 8 October 2087 and 27 September 2088 for residential use.

3. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 13073020180069 and 13073020180070 in favour of Huailai Tianbao Property Development, Part A of the project with a total GFA of approximately 140,863.73 sq.m. have been approved for construction. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 13073020190048 and 13073020190049 in favour of Huailai Tianbao Property Development, a portion of Part B of the project with a total GFA of approximately 139,074.98 sq.m. have been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Nos. 130730201812130101 and 130730201812130201 in favour of Huailai Tianbao Property Development, permissions by the relevant local authority were given to commence the construction of the Part A of the project with a total GFA of approximately 140,863.73 sq.m.

5. The market value of Part A of the property as if completed as at the valuation date was estimated to be RMB594,500,000.

6. Our valuation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB6,500 to RMB8,500 per sq.m. for commercial apartment units, RMB7,000 to RMB9,000 per sq.m. for retail units on the first floor. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and

   b. We have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites range from about RMB1,400 to RMB1,700 per sq.m. and RMB650 to RMB700 per sq.m. for residential and commercial uses respectively. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

7. According to the information provided by the Group, the planned GFA of the property is set out as below:

Group	**Status**	**Usage**	**Planned GFA** *(sq.m.)*
III	Under construction	Retail	1,795.10
		Hospital	55,713.64
		Commercial apartment	71,603.51
		Underground	10,031.94
		Other	1,719.54
		Total:	140,863.73

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has paid the land premium in respect of the property in full and obtained the valid Real Estate Title Certificates and the Group has the legal rights to transfer, lease and mortgage the land;

   b. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found; and

   c. the Group has obtained the requisite approvals in respect of the construction of the property from local authorities and the approvals are legal and valid.

9. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Real Estate Title Certificate (for land only)	Yes
c.	Construction Work Planning Permit (for Part A only)	Yes
d.	Construction Work Commencement Permit (for Part A only)	Yes
e.	Pre-sale Permit (for Part A only)	No
f.	Construction Work Completion and Inspection Certificate/Table	N/A

10. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	209,000,000
Group IV — Held for future development by the Group	513,300,000
Group V — Held for owner-occupation by the Group	N/A
Total:	722,300,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
5.	Project Tianbao Edelweiss City (天保雪絨花都) located at the eastern side of Qilihe Village Yu County Zhangjiakou City Hebei Province The PRC	Project Tianbao Edelweiss City is located at the eastern side of Qilihe Village, Yu County, Zhangjiakou City. The public facilities and transportation network of this area are under further improvement. The property comprises Part A and Part B. Part A (Residential section) of the property occupies a parcel of land with a site area of approximately 100,368.00 sq.m. and it will be developed into a residential development with a total planned gross floor area ("GFA") of approximately 272,073.59 sq.m. Part A of the property is under construction and scheduled to be completed in September 2021. Part B of the property comprises a parcel of land with a site area of approximately 54,533.00 sq.m., and it will be developed into a commercial development which is named as Twin Towers with a plot ratio accountable GFA of approximately 117,904.00 sq.m. As advised by the Group, the total construction cost (excluding land cost and financial cost) of Part A of the property is estimated to be approximately RMB637,000,000, of which approximately RMB166,700,000 had been paid up to the valuation date. Details of area are set out in note 8. The land use rights of the property have been granted for terms expiring on 31 January 2058 for commercial use and 31 January 2088 for residential use.	As at the valuation date, Part A of the property was under construction and Part B of the property was bare land for future development.	652,000,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts — No. Yu Guo Rang (2017) 03, C13073020170044, and No. Yu Guo Rang (2017) 04, the land use rights of 2 parcels of land with a total site area of approximately 154,901.00 sq.m. were contracted to be granted to Yuxian Tianbao Property Development Company Limited, "Yuxian Tianbao Property Development", an indirect wholly-owned subsidiary of the Company) for terms of 40 years and 70 years for commercial and residential uses respectively. The total land premium was RMB408,800,000. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 2 Real Estate Title Certificates — Ji (2018) Yu Xian Bu Dong Chan Quan Nos. 0000554 and 0000563, the land use rights of 2 parcels of land with a total site area of approximately 154,901.00 sq.m. have been granted to Yuxian Tianbao Property Development for terms expiring on 31 January 2058 for commercial use and 31 January 2088 for residential use.

3. Pursuant to a Construction Work Planning Permit — Jian Zi Di Nos. 1307262018A0021 in favour of Yuxian Tianbao Property Development, a portion of Part A of the project with a total GFA of approximately 190,887.24 sq.m. have been approved for construction.

4. Pursuant to 2 Construction Work Commencement Permits — Nos. 13072620182290101 and 130726201901100101 in favour of Yuxian Tianbao Property Development, permissions by the relevant local authority were given to commence the construction of a portion of Part A of the project with a total GFA of approximately 190,887.24 sq.m.

5. Pursuant to 4 Pre-sale Permits — Yu Fang Yu Shou Zheng Di No. 201901, (2019 Yu) Fang Yu Shou Zheng Di Nos. 006, 008 and 010 in favour of Yuxian Tianbao Property Development, the Group is entitled to sell various residential units of the property (representing a total GFA of approximately 92,641.51 sq.m.) to purchasers.

6. The market value of Part A of the project as if completed as at the valuation date was estimated to be RMB1,168,000,000.

7. Our valuation has been made on the following basis and analysis:

   a. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB5,000 to RMB7,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and

   b. We have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites range from about RMB1,400 to RMB1,700 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

8. According to the information provided by the Group, the planned GFA of Part A of the property is set out as below:

Group	**Status**	**Usage**	**Planned GFA** *(sq.m.)*
III	Under construction	Residential	201,102.20
		Underground	67,971.30
		Kindergarten	3,000.0
		Total:	272,073.5

9. As advised by the Group, 297 residential units with a total GFA of approximately 29,430.94 sq.m. have been pre-sold to various third parties at a total consideration of RMB155,340,976. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

10. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has paid the land premium in respect of the property in full and obtained the valid State-owned Land Use Rights Certificates;

   b. the land use rights of the property are subject to a mortgage. Except for this mortgage, in accordance with the PRC laws, the Group has obtained the subject land use rights legally and validly, and is the legal user of the land and has the legal rights to transfer, lease, and mortgage the land use rights of the property;

   c. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found; and

d. the Group has obtained the requisite approvals in respect of the construction of the property from local authorities and the approvals are legal and valid.

11. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Real Estate Title Certificate (for land only)	Yes
c.	Construction Work Planning Permit (for Part A only)	Portion
d.	Construction Work Commencement Permit (for Part A only)	Portion
e.	Pre-sale Permit (for Part A only)	Portion
f.	Construction Work Completion and Inspection Certificate/Table	N/A

12. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	482,000,000
Group IV — Held for future development by the Group	170,000,000
Group V — Held for owner-occupation by the Group	N/A
Total:	652,000,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
6.	Unsold units of Project Tianhe Penghua (田合鵬華) located at No. 128 Huayang Road Zhuozhou City Baoding City Hebei Province The PRC	Project Tianhe Penghua is located at No 128 Huayang Road, Zhuozhou City. The locality is well served by public transportation and there are also some public facilities nearby. The project was completed in November 2017. It is a residential development with a total gross floor area of approximately 71,863.74 sq.m. The property comprises the unsold retail units of the project with a total gross floor area of approximately 4,000.39 sq.m. The land use rights of the property have been granted for a term expiring on 31 December 2080 for residential use.	As at the valuation date, the unsold units of the property were vacant for sale.	72,000,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates — Zhuo Guo Yong (2010 Pai) Di No. 022, (2011 Geng) Di Nos. 06-320 and 06-321, the land use rights of 3 parcels of land of Project Tianhe Penghua with a site area of approximately 36,950.14 sq.m. have been granted to Tianbao Property Development Company Limited ("Tianbao Property Development", an indirect wholly-owned subsidiary of the Company) for a term expiring on 31 December 2080 for residential use.

2. Pursuant to a Real Estate Title Certificate — Ji (2019) Zhuo Zhou Shi Bu Dong Chan Quan No 0000380 in favour of Tianbao Property Development, 36 retail units of the property with a total gross floor area of approximately 32,131.74 sq.m. are owned by Tianbao Property Development.

3. We have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB16,000 to RMB20,000 per sq.m. for retail units on the first floor. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has legally obtained Real Estate Title Certificate, and has the legal rights to occupy, use, lease and otherwise dispose of the property; and

   b. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Real Estate Title Certificate	Yes

6. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	72,000,000
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	N/A
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	N/A
Total:	72,000,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
7.	Project Ming Yang Phase I (明陽一期) located at Xiguo Village Matou Town Zhuozhou City Baoding City Hebei Province The PRC	Project Ming Yang Phase I is located at Xiguo Village, Matou Town, Zhuozhou City. The public facilities and public transportation network of this area are under further improvement. The property comprises a parcel of land with a site area of approximately 17,593.30 sq.m. which will be developed into a residential development with a total planned gross floor area ("GFA") of approximately 48,665.45 sq.m. The project is scheduled to be completed in January 2020. As advised by the Group, the total construction cost (excluding land cost and financial cost) of the property is estimated to be approximately RMB99,600,000, of which approximately RMB82,100,000 had been paid up to the valuation date. Details of the area are set out in note 5. The land use rights of the property have been granted for a term expiring on 18 December 2076 for residential use.	As at the valuation date, the property was under construction.	395,500,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Zhuo Guo Yong (2016 Bu 002) Di (2007 Geng) No. 06-034, the land use rights of the property with a site area of approximately 17,593.30 sq.m. have been granted to Zhuozhou City Mingyang Property Development Company Limited ("Zhuozhou City Mingyang Property", an indirect wholly-owned subsidiary of the Company) for a term expiring on 18 December 2076 for residential use.

2. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 130681201600056 in favour of Zhuozhou City Mingyang Property, the project with a total GFA of approximately 48,665.45 sq.m. have been approved for construction.

3. Pursuant to a Construction Work Commencement Permit — 130681201707210101 in favour of Zhuozhou City Mingyang Property, permissions by the relevant local authority were given to commence the construction of the project with a total GFA of approximately 48,665.45 sq.m.

4. Pursuant to a Pre-sale Permit — Zhuo Fang Yu Shou Zheng (2017) Di No. 028 in favour of Zhuozhou City Mingyang Property, the Group is entitled to sell various units of the project (representing a total GFA of approximately 45,127.20 sq.m.) to purchasers.

5. According to the information provided by the Group, the planned GFA of the property is set out as below:

Group	Status	Usage	Planned GFA *(sq.m.)*
III	Under construction	Residential	45,127.20
		Underground storage spaces	3,538.25
		Total:	48,665.45

6. As advised by the Group, 387 residential units with a total GFA of approximately 35,534.61 sq.m. have been pre-sold to various third parties at a total consideration of RMB334,305,195. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

7. The market value of the project as if completed as at the valuation date was estimated to be RMB429,000,000.

8. Our valuation has been made on the following basis and analysis:

   a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB8,000 to RMB12,000 per sq.m. for residential units. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and

   b. we have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites range from about RMB5,500 to RMB6,000 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has paid the land premium in respect of the property in full and obtained the valid State-owned Land Use Rights Certificate;

   b. the land use rights of the property are subject to a mortgage. Except for this mortgage, in accordance with the PRC laws, the Group has obtained the subject land use rights legally and validly, and is the legal user of the land and has the legal rights to transfer, lease, and mortgage the land use rights of the property;

   c. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found; and

   d. the Group has obtained the requisite approvals in respect of the construction of the property from local authorities and the approvals are legal and valid.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Construction Work Planning Permit	Yes
c.	Construction Work Commencement Permit	Yes
d.	Pre-sale Permit	Yes

e. Construction Work Completion and Inspection Certificate/Table N/A

11. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	395,500,000
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	N/A
Total:	395,500,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
8.	Project Tianbao New City (天保新城) located at the eastern side of Zhongdu Street and the southern side of Xinghe Road Zhangbei County Zhangjiakou City Hebei Province The PRC	Project Tianbao New City is located at the eastern side of Zhongdu Street and the southern side of Xinghe Road, Zhangbei County, Zhangjiakou City. The locality is well served by public transportation and public facilities. This project would be developed into a middle-class residential community. The project occupies 2 parcels of land with a total site area of approximately 232,987.80 sq.m. and will be developed into a mixed-use development with residential, retail, hotel, apartment and ancillary components in phases. Phases I and II of the project were completed in December 2014 and January 2018 respectively, while Phase III is currently under construction and scheduled to be completed in April 2021. The property comprises the unsold residential and retail units of Phases I and II ("Part A"), a 4-storey clubhouse in Phase I ("Part B"), and the whole Phase III under construction ("Part C"). Details of area are set out in note 8. As advised by the Group, the total construction cost (excluding land cost and financial cost) of Part C of the property is estimated to be approximately RMB727,000,000, of which approximately RMB611,900,000 had been paid up to the valuation date. The land use rights of the property have been granted for terms expiring on 14 May 2050 and 15 May 2080 for commercial and residential uses respectively.	As at the valuation date, Part A of the property was vacant for sale except for 3 retail units with a total gross floor area ("GFA") of approximately 2,565.47 sq.m. which were leased to 3 tenants. Part B was occupied by the Group for commercial usage and Part C was under construction.	1,480,400,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates — Zhang Guo Yong 2010 Di Nos. 010245 and 010246, the land use rights of 2 parcels of land with a total site area of approximately 232,987.80 sq.m. have been granted to Tianbao Property Development Company Limited ("Tianbao Property Development", an indirect wholly-owned subsidiary of the Company) for terms expiring on 14 May 2050 and 15 May 2080 for commercial and residential uses respectively.

2. Pursuant to 2 Building Ownership Certificates — Zhang Fang Quan Zheng Zhang Zi Di Nos. 201504678 and 201504677 in favour of Tianbao Property Development, Phase I of the project (excluding Part B of the property) with a total GFA of approximately 122,244.09 sq.m. is owned by Tianbao Property Development (including a portion of Part A of the property).

3. Pursuant to 21 Building Ownership Certificates — Ji (2018) Zhang Bei Xian Bu Dong Chan Quan Di Nos. 0001979, 0003079, 0003150, 0003151, 0003154, 0003200, 0003201 and 0003156 to 0003169 in favour of Tianbao Property Development, Phase II of the project with a total GFA of approximately 118,368.15 sq.m. are owned by Tianbao Property Development (including a portion of Part A of the property).

4. Pursuant to 3 Tenancy Agreements, portions of Part A of the property with a total GFA of approximately 2,565.47 sq.m. were leased to 3 tenants (independent third parties) with the expiry dates between 14 May 2020 and 31 July 2026 at a monthly unit rental ranging from RMB8 to RMB14 per sq.m., exclusive of VAT and management fees.

5. Pursuant to a Building Ownership Certificate — Zhang Fang Quan Zheng Zhang Zi Di No. 201600131 in favour of Tianbao Property Development, Part B of the property with a GFA of approximately 4,803.60 sq.m. is owned by Tianbao Property Development.

6. Pursuant to 2 Construction Work Planning Permits — Jian Zi Di Nos. 13072220160051 and 13072220170012 in favour of Tianbao Property Development, Phase III (Part C) of project Tianbao New City with a total GFA of approximately 328,046.30 sq.m. has been approved for construction.

7. Pursuant to 2 Construction Work Commencement Permits – Nos. 130722201703210101 and 130722201707210101 in favour of Tianbao Property Development, permissions by the relevant local authority were given to commence the construction of Phase III (Part C) of Project Tianbao New City with a total GFA of approximately 328,046.30 sq.m.

8. Pursuant to 3 Pre-sale Permits — Zhang Fang Yu Shou Zheng Di Nos. 13, 16 and 2019006 in favour of Tianbao Property Development, the Group is entitled to sell various residential and retail units of Phases III (Part C) of project Tianbao New City (representing a total GFA of approximately 212,014.97 sq.m.) to purchasers.

9. According to the information provided by the Group, the GFA of the property is set out as below:

Group	Phase	Usage	GFA/Planned GFA (sq.m.)	No. of Car Parking Space
I	Phases I and II (Part A) (Unsold portion only)	Residential (Phase I)	3,387.03	
		Retail (Phase I)	5,539.75	
		Basement (Phase I)	218.88	
		Residential (Phase II)	143.66	
		Retail (Phase II)	8,082.37	
		Sub-total:	17,371.69	
III	Phase III (Part C) (Planned)	Residential	181,500.32	
		Retail	29,161.70	
		Kindergarten	1,331.37	
		Ancillary	21,724.62	
		Zhangbei Zhongdu Ginza		
		Shopping mall	34,706.52	
		Hotel	20,453.56	
		Commercial apartment	23,034.06	
		Underground car parking spaces	16,134.15	413
		Sub-total:	328,046.30	413
V	Phase I (Part B)	Clubhouse (Phase I)	4,803.60	
		Sub-total:	4,803.60	
		Grand-total:	350,221.59	413

10. As advised by the Group, 13 residential units with a total GFA of approximately 1,511.95 sq.m. of Part A of the property have been sold to various third parties at a total consideration of RMB8,861,596, and 1,454 residential and retail units with a total GFA of approximately 134,194.18 sq.m. of Part C of the property have been pre-sold to various third parties at a total consideration of RMB656,244,576. Such portions of the property have not been legally and virtually transferred and therefore we have included the units in our valuation. In arriving at our opinion on the market value of the property, we have taken into account the contracted prices of such portions of the property.

11. The market value of Part C of the project as if completed as at the valuation date was estimated to be RMB1,535,200,000.

12. Our valuation has been made on the following basis and analysis:

    a. we have identified and analyzed various relevant sales evidences in the locality which have similar characteristics as the property. The unit price of these comparable properties ranges from RMB5,500 to RMB7,000 per sq.m. for residential units and RMB8,000 to RMB10,000 per sq.m. for retail units on the first floor. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at an assumed unit rate for the property; and

    b. we have also made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites range from about RMB1,500 to RMB2,000 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

13. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

    a. the Group has paid the land premium in respect of the property in full and obtained the valid State-owned Land Use Rights Certificates and the Group has the legal rights to transfer, lease and mortgage the land;

    b. the tenancy agreements mentioned in note 4 have not been registered, the lack of tenancy registration will not affect the validity of tenancy agreements of the property; however, the Group may be penalized arising from the failure of registration; as confirmed by the Group, they have not received any penalty from relevant authorities and such circumstance would not cause material legal impediment to the Group's business operation;

    c. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found; and

    d. the Group has obtained the requisite approvals in respect of the construction of the property from local authorities and the approvals are legal and valid.

14. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate (for Phases I and II)	Yes
c.	Construction Work Planning Permit (for Phase III only)	Yes
d.	Construction Work Commencement Permit (for Phase III only)	Yes
e.	Pre-sale Permit (for Phase III only)	Portion

15. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	125,700,000
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	1,336,300,000
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	18,400,000
Total:	1,480,400,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
9.	Project Zhangbei Fuxinyuan Shanty-town Improvement (張北縣福馨苑棚戶區改造項目) located at the eastern side of Jingdu Road Zhangbei County Zhangjiakou City Hebei Province The PRC	Project Zhangbei Fuxinyuan Shanty-town Improvement is located the east of Jingdu Road, Zhangbei County, Zhangjiakou City. The locality is well served by public transportation and public facilities. The property occupies a parcel of land with a site area of approximately 71,057.00 sq.m., and will be developed into a residential community with residential, retail, kindergarten, ancillary components and underground car parking spaces, together having a total gross floor area ("GFA") of approximately 147,871.24 sq.m. The property is scheduled to be completed in December 2019. Details of the area are set out in note 5. As advised by the Group, the total construction cost (excluding land cost and financial cost) of the property is estimated to be approximately RMB276,100,000, of which approximately RMB202,500,000 had been paid up to the valuation date. The land use rights of the property have been granted for terms expiring on 28 July 2057 and 28 July 2087 for commercial and residential uses respectively.	As at the valuation date, the property was under construction.	421,800,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 26 July 2017, the land use rights of a parcel of land with a site area of approximately 71,057.00 sq.m. were contracted to be granted to Tianbao Property Development Company Limited ("Tianbao Property Development", an indirect wholly-owned subsidiary of the Company) for terms of 40 years and 70 years for commercial and residential uses respectively. The total land premium was RMB128,121,180. As advised by the Group, the land premium has been fully paid.

2. Pursuant to a Real Estate Title Certificate (for land only) — Ji (2017) Zhang Bei Xian Bu Dong Chan Quan Di No. 0001792, the land use rights of a parcel of land with a site area of approximately 71,057.00 sq.m. have been granted to Tianbao Property Development for terms expiring on 28 July 2057 and 28 July 2087 for commercial and residential uses respectively.

3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 13072220170023 in favour of Tianbao Property Development, the project with a total GFA of approximately 147,871.24 sq.m. has been approved for construction.

4. Pursuant to a Construction Work Commencement Permit — No. 130722201709270101 in favour of Tianbao Property Development, permission by the relevant local authority were given to commence the construction of the project with a total GFA of approximately 147,871.24 sq.m.

5. According to the information provided by the Group, the planned GFA of the property is set out as below:

Group	Status	Usage	Planned GFA *(sq.m.)*
III	Under construction	Residential	126,200.22
		Retail	5,009.92
		Kindergarten	1,709.66
		Underground car parking spaces	6,923.13
		Underground storage spaces	7,560.33
		Ancillary	467.98
		Total:	147,871.24

6. Pursuant to a Construction Contract entered into between Zhangbei County Housing and Urban-Rural Planning and Construction Bureau and Tianbao Property Development, Project Tianbao Fuxinyuan Shantytown Improvement must be sold to government-designated resettlement households at government-fixed prices (at average unit price of RMB4,300 and RMB1,000 per sq.m. for aboveground and underground unit respectively).

7. The market value of the project as if completed as at the valuation date was estimated to be RMB574,300,000.

8. In our valuation, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites range from about RMB800 to RMB1,000 per sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has paid the land premium in respect of the property in full and obtained the valid Real Estate Title Certificate and the Group has the legal rights to transfer, lease and mortgage the land;

   b. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found; and

   c. the Group has obtained the requisite approvals in respect of the construction of the property from local authorities and the approvals are legal and valid.

10. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Work Planning Permit	Yes
d.	Construction Work Commencement Permit	Yes
e.	Pre-sale Permit	No
f.	Construction Work Completion and Inspection Certificate/Table	N/A

11. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	421,800,000
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	N/A
Total:	421,800,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
10.	A parcel of land of Project Haiziwa Land Lot (海子窪空地) located at the western side of Haiziwa Scenic Area Zhangbei County Zhangjiakou City Hebei Province The PRC	Project Haiziwa Land Lot is located at the western side of Haiziwa Scenic Area, Zhangbei County, Zhangjiakou City. The public facilities and transportation network of this area are under further improvement. The property has a site area of approximately 48,742.00 sq.m., and is scheduled to be developed into an commercial apartment development with a plot ratio accountable gross floor area of approximately 48,742.00 sq.m. The land use rights of the property have been granted for a term expiring on 30 May 2058 for other commercial service use.	As at the valuation date, the property was bare land for future development.	36,400,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — C13072220180201, the land use rights of a parcel of land with a site area of approximately 48,742.00 sq.m. were contracted to be granted to Zhangbei Tianbao Hengqi Property Development Company Limited ("Zhangbei Tianbao Hengqi Property", an indirect wholly-owned subsidiary of the Company) for a term of 40 years for other commercial service use and the plot ratio is 1.0. The total land premium was RMB13,802,775. As advised by the Company, the land premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate — Ji (2018) Zhangebei Xian Bu Dong Chan Quan No. 0002828. The land use rights of the property with a site area of approximately 48,742.00 sq.m. have been granted to Zhangbei Tianbao Hengqi Property for a term expiring on 30 May 2058 for other commercial services use.

3. In our valuation, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from about RMB500 to RMB800 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has paid the land premium in respect of the property in full and obtained the valid State-owned Land Use Rights Certificate;

   b. the land use rights of the property are subject to a mortgage. Except for this mortgage, in accordance with the PRC laws, the Group has obtained the subject land use rights legally and validly, and is the legal user of the land and has the legal rights to transfer, lease, and mortgage the land use rights of the property; and

   c. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Pre-sale Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

6. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	N/A
Group IV — Held for future development by the Group	36,400,000
Group V — Held for owner-occupation by the Group	N/A
Total:	36,400,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
11.	Project Haiziwa Hotel (海子窪酒店) located at the south-eastern side of Haiziwa County Zhangbei County Zhangjiakou City Hebei Province The PRC	Project Haiziwa Hotel, is located at the south-eastern side of Haiziwa County, Zhangbei County Zhangjiakou City. The public facilities and transportation network of this area are under further improvement. The property occupies a parcel of land with a site area of approximately 52,237 sq.m., and will be developed into a resort and hotel project having 188 hotel rooms with a total planned gross floor area of approximately 57,460.70 sq.m. The property is scheduled to be completed in December 2019. As advised by the Group, the total construction cost (excluding land cost and financial cost) of the property is estimated to be approximately RMB134,600,000, of which approximately RMB125,900,000 had been paid up to the valuation date. The land use rights of the property have been granted for a term expiring on 17 January 2057 for other commercial service use.	As at the valuation date, the property was under construction.	217,700,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — C13072220170117, the land use rights of a parcel of land with a site area of approximately 52,237.00 sq.m. were contracted to be granted to Zhangbei Tianbao Hengqi Property Development Company Limited ("Zhangbei Tianbao Hengqi Property", an indirect wholly-owned subsidiary of the Company) for a term of 40 years for other commercial service use. The total land premium was RMB11,503,300. As advised by the Group, the land premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate — Ji (2017) Zhangebei Xian Bu Dong Chan Quan No. 0000182, the land use rights of the property with a site area of approximately 52,237.00 sq.m. have been granted to Zhangbei Tianbao Hengqi Property for a term expiring on 17 January 2057 for other commercial service use.

3. Pursuant to a Land Usage Planning Permit — Di Zi Di No. 13072220170015 in favour of Zhangbei Tianbao Hengqi Property, the construction scale of the project is less than or equal to 57,460.70 sq.m.

4. We have not been provided with the Construction Work Commencement Permit for the property, and as advised by the Group, relevant construction permits are in the process of application.

5. The market value of the property as if completed as at the valuation date was estimated to be RMB233,000,000.

6. In our valuation, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from about RMB500 to RMB800 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

7. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has paid the land premium in respect of the property in full and obtained the valid State-owned Land Use Rights Certificate and the Group has the legal rights to transfer, lease and mortgage the land use rights of the property;

   b. the land use rights of the property are subject to a mortgage. Except for this mortgage, in accordance with the PRC laws, the Group has obtained the subject land use rights legally and validly, and is the legal user of the land and has the legal rights to transfer, lease, and mortgage the land use rights of the property;

   c. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found;

   d. the property has been constructed without Construction Work Commencement Permit. In accordance with a statement of Penalty Exemption of Tianbao Resort dated 22 January 2016 and issued by Zhangbei County Urban and Rural Planning Bureau, the construction of the property without relevant construction permits would not be subject to administrative penalty; and

   e. except for the above condition, the Group has obtained the requisite approvals in respect of the construction of the property from local authorities and the approvals are legal and valid.

8. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Building Ownership Certificate	N/A
d.	Construction Work Planning Permit	No
e.	Construction Work Commencement Permit	No
f.	Pre-sale Permit	N/A
g.	Construction Work Completion and Inspection Certificate/Table	N/A

9. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	217,700,000
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	N/A
Total:	217,700,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
12.	A parcel of land of Project Zhongdu Garden (中都莊園) located at the western side of Zhanghua Highway and the northern side of Zhangshang Highway Zhangbei County Zhangjiakou City Hebei Province The PRC	Project Zhangbei Zhongdu Garden is located at the western side of Zhanghua Highway and the northern side of Zhangshang Highway, Zhangbei County, Zhangjiakou City. The public facilities and transportation network of this area are under further improvement. The property comprises a parcel of land with a site area of approximately 99,513.00 sq.m. and is scheduled to be developed into a resort center with a plot ratio accountable gross floor area of approximately 119,415.60 sq.m. The land use rights of the property have been granted for a term expiring on 22 January 2053 for commercial use.	As at the valuation date, the property was bare land for future development.	71,800,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — C1307222013007, the land use rights of a parcel of land with a site area of approximately 99,513.00 sq.m. were contracted to be granted to Zhangbei Tianbao Hengqi Property Development Company Limited ("Zhangbei Tianbao Hengqi Property", an indirect wholly-owned subsidiary of the Company) for a term of 40 years for other commercial services use and the plot ratio is 1.2. The total land premium was RMB11,284,900. As advised by the Company, the land premium has been fully paid.

2. Pursuant to a State-owned Land Use Rights Certificate — Zhang Guo Yong (2014) No. 0603, the land use rights of the property with a site area of approximately 99,513.00 sq.m. have been granted to Zhangbei Tianbao Hengqi Property for a term expiring on 22 July 2053 for commercial use.

3. In our valuation, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites range from about RMB500 to RMB800 per sq.m. for commercial use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has paid the land premium in respect of the property in full and obtained the valid State-owned Land Use Rights Certificate;

   b. the land use rights of the property are subject to a mortgage. Except for this mortgage, in accordance with the PRC laws, the Group has obtained the subject land use rights legally and validly, and is the legal user of the land and has the legal rights to transfer, lease, and mortgage the land use rights of the property;

   c. in accordance with an Explanation Letter and a Certification Letter dated 29 January 2019 and 1 February 2019 respectively and issued by Zhangbei County Land Resources Bureau, the delay of the construction of the property is not the fault of Zhangbei Tianbao Hengqi Property, therefore, relevant government authorities would not ask for penalty or resume the idle land; and

d. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	State-owned Land Use Rights Certificate	Yes
c.	Construction Work Planning Permit	N/A
d.	Construction Work Commencement Permit	N/A
e.	Pre-sale Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

6. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	N/A
Group IV — Held for future development by the Group	71,800,000
Group V — Held for owner-occupation by the Group	N/A
Total:	71,800,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
13.	Project Zhangbei Composite Light Plant (張北CL體系生產基地) located at the western side of Yongchun North Road, inside the Miao Tan Industrial Park Zhangbei County Zhangjiakou City Hebei Province The PRC	Project Zhangbei Composite Light Plant comprises a parcel of land with a site area of approximately 100,000.00 sq.m., 2 industrial buildings and 5 ancillary buildings erected thereon. The buildings were completed in January 2017. The 2 industrial buildings and 5 ancillary buildings have a total gross floor area of approximately 13,019.21 sq.m. and the major usages are production and storage. The land use rights of the property have been granted for a term expiring on 15 December 2061 for industrial use.	As at the valuation date, the property was vacant and held by the Group.	43,600,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Zhang Guo Yong (2012) Di No. 0373, the land use rights of the property with a site area of approximately 100,000.00 sq.m. have been granted to Tianbao Property Development Company Limited (“Tianbao Property Development”, an indirect wholly-owned subsidiary of the Company) for a term expiring on 15 December 2061 for industrial use.

2. Pursuant to a Real Estate Title Certificate — Ji (2019) Zhang Bei Xian Bu Dong Chan Quan No. 0001355, the property with a gross floor area of approximately 13,019.21 sq.m. is owned by Tianbao Property Development.

3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has legally obtained the Real Estate Title Certificate, and has the legal rights to occupy, use, lease and otherwise dispose of the property; and

   b. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found.

4. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Real Estate Title Certificate	Yes

5. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	N/A
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	43,600,000
Total:	43,600,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
14.	Project Zhuozhou Composite Light Plant (涿州CL體系生產基地) located at the northern side of Guanyun East Road and the eastern side of Chuangxin Road Zhuozhou City Baoding City Hebei Province The PRC	Project Zhuozhou Composite Light Plant comprises a parcel of land with a site area of approximately 49,433.33 sq.m and 2 industrial buildings erected thereon. The buildings were completed in February 2010. The 2 industrial buildings have a total gross floor area of approximately 18,479.35 sq.m. and the major usages are production and storage. The land use rights of the property have been granted for a term expiring on 21 May 2058 for industrial use.	As at the valuation date, portions of the property with a total gross floor area of approximately 17,925.00 sq.m. were leased to various tenants, whilst the remaining portions with total gross floor area of approximately 554.35 were self-used by the Group.	81,800,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Zhuo Guo Yong (2010 Geng) Di No. 06-066, the land use rights of the property with a site area of approximately 49,433.33 sq.m. have been granted to Tianbao Property Development Company Limited ("Tianbao Property Development", an indirect wholly-owned subsidiary of the Company) for a term expiring on 21 May 2058 for industrial use.

2. Pursuant to a Building Ownership Certificate — Zhuo Zhou Shi Fang Quan Zheng Zi Di No. 21615, the property with a total gross floor area of approximately 18,479.35 sq.m. is owned by Tianbao Property Development.

3. Pursuant to 4 Tenancy Agreements, portions of the property with a total gross floor area of approximately 17,925.00 sq.m. were leased to various tenants (independent third parties) with the expiry dates between 7 June 2020 and 31 December 2021 at a monthly rent ranging from RMB20 to RMB25 per sq.m., exclusive of VAT and management fee.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

   a. the Group has legally obtained the Land Use Rights Certificate and Building Ownership Certificate, and has the legal rights to occupy, use, lease and otherwise dispose of the property;

   b. the land use rights of the property are subject to a mortgage. Except for this mortgage, in accordance with the PRC laws, the Group has obtained the subject land use rights legally and validly, and is the legal user of the land and has the legal rights to transfer, lease, and mortgage the land use rights of the property;

   c. the tenancy agreements mentioned in note 3 have not been registered, the lack of tenancy registration will not affect the validity of tenancy agreements of the property. However, the Group may be penalized arising from the failure of registration. As confirmed by the Group, they have not received any penalty from relevant authorities and such circumstance would not cause material legal impediment to the Group's business operation; and

   d. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found.

5. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Certificate	Yes
b.	Building Ownership Certificate	Yes

6. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	N/A
Group IV — Held for future development by the Group	N/A
Group V — Held for owner-occupation by the Group	81,800,000
Total:	81,800,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date *RMB*
15.	2 parcels of land of Project Boyue Bay (鉑悦灣) located at Lipuzi Village, Yuzhou Town Yu County Zhangjiakou City Hebei Province The PRC	Project Boyue Bay is located at Lipuzi Village Yuzhou Town, Yu County, Zhangjiakou City. The public facilities and transportation network of this area are under further improvement. The property occupies 2 parcels of land with a total site area of approximately 81,815.00 sq.m., and is scheduled to be developed into a residential development with a total plot ratio accountable gross floor area of approximately 163,630.00 sq.m. The land use rights of the property have been granted for a term expiring on 11 January 2089 for residential use.	As at the valuation date, the property was bare land for future development.	255,000,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts — Yu Guo Rang (2018) Nos. 12 and 13, the land use rights of 2 parcels of land with a total site area of approximately 81,815.00 sq.m. were contracted to be granted to Yuxian Tianbao Property Development Company Limited ("Yuxian Tianbao Property Development", an indirect wholly-owned subsidiary of the Company) for a term of 70 years for residential use and the plot ratio is 2.0. The total land premium was RMB190,800,000. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 2 Real Estate Title Certificates — Ji (2019) Yu Xian Bu Dong Chan Quan Di Nos. 0000419 and 0000418, the land use rights of the property with a total site area of approximately 81,815.00 sq.m. have been granted to Yuxian Tianbao Property Development for a term expiring on 11 January 2089 for residential use.

3. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. 1307262019A0010 in favour of Yuxian Tianbao Property Development, portion of the project with a gross floor area of approximately 96,473.04 sq.m. have been approved for construction.

4. Pursuant to a Construction Work Commencement Permit — No. 130726201909160101 in favour of Yuxian Tianbao Property Development, permissions by the relevant local authority were given to commence the construction of the relative portion of the project with a total gross floor area of approximately 96,473.04 sq.m.

5. In our valuation, we have made reference to sales prices of land within the locality which have the similar characteristics comparable to the property. The accommodation value of these comparable land sites ranges from about RMB1,400 to RMB1,800 per sq.m. for residential use. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the property to arrive at our assumed unit rate.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC Legal Advisors, which contains, inter alia, the following:

    a. the Group has paid the land premiums in respect of the property in full and obtained the valid State-owned Land Use Rights Certificate and the Group has the legal rights to transfer, lease and mortgage the land;

    b. sequestration, lawsuit, dispute or any other material adverse circumstance on the land use rights of the property are not found; and

c. the Group has obtained the requisite approvals in respect of the construction of the property from local authorities and the approvals are legal and valid.

7. A summary of major certificates/approvals is shown as follows:

a.	State-owned Land Use Rights Grant Contract	Yes
b.	Real Estate Title Certificates (for land only)	Yes
c.	Construction Work Planning Permit	Portion
d.	Construction Work Commencement Permit	N/A
e.	Pre-sale Permit	N/A
f.	Construction Work Completion and Inspection Certificate/Table	N/A

8. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Market value in existing state as at the valuation date** *(RMB)*
Group I — Held for sale by the Group	N/A
Group II — Held for investment by the Group	N/A
Group III — Held under development by the Group	N/A
Group IV — Held for future development by the Group	255,000,000
Group V — Held for owner-occupation by the Group	N/A
Total:	255,000,000

Set out below is a summary of certain provisions of the Memorandum of Association and the Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 November 2018 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on October 21, 2019 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the ‘‘retirement by rotation’’ provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments.

The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall at each annual general meeting appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The Board may fill any casual vacancy in the office of auditors, but while any such vacancy continues the surviving or continuing auditors (if any) may act. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 16 November 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the ''share premium account''. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from December 14, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

(t) Economic Substance Requirements

Pursuant to the International Tax Co-operation (Economic Substance) Law, 2018 of the Cayman Islands (as amended) (''**ES Law**'') that came into force on 1 January 2019, a ''relevant entity'' is required to satisfy the economic substance test set out in the ES Law. A ''relevant entity'' includes a company incorporated under the Cayman Companies Law as is the Company; however, it does not include a company which is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, the Company is not regarded as a ''relevant entity'' under the ES Law and thus is not required to satisfy the economic substance test as set out in the ES Law.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed ''Documents Available for Inspection'' in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law, as an exempted company with limited liability on November 16, 2018. Our Company has established a place of business in Hong Kong at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong and has been registered with the Registrar of Companies in Hong Kong for registration as a non-Hong Kong company under Part 16 of the Companies Ordinance on May 14, 2019. Mr. Lei Kin Keong (李健強) has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and its constitution comprises the Memorandum and the Articles. A summary of certain provisions of the Articles and relevant aspects of the Cayman Islands company law is set forth in Appendix IV to this prospectus.

2. Changes in the share capital of our Company

The authorized share capital of our Company as of the date of its incorporation was HK$390,000 divided into 39,000,000 Shares of par value HK$0.01 each.

On November 16, 2018, one Share was allotted and issued to Reid Services Limited as the initial subscriber and was subsequently transferred to Mr. Li. On November 16, 2018, 99 Shares were allotted and issued to Mr. Li, credited as fully paid up at par.

On January 7, 2019, our Company allotted and issued one Share, credited as fully paid at par, to Mr. Li, as consideration for Mr. Li transferring his entire interest in Tianbao China Holdings to our Company.

On January 7, 2019, Mr Li transferred 101 Shares to Jixiang International Industrial, and as consideration, Jixiang International Industrial allotted and issued one ordinary share, credited as fully paid at par, to Mr. Li.

On April 28, 2019, our Company allotted and issued 889 Shares, credited as fully paid at par, to Jixiang International Industrial, for cash consideration.

On April 29, 2019, our Company acquired all the issued shares of Excel Thrive Development from Golden Foal Investments, in consideration of which the Company allotted and issued 10 Shares, credited as fully paid at par, to Golden Foal Investments.

On October 21, 2019, the authorized share capital of our Company was increased from HK$390,000 divided into 39,000,000 Shares of par value HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 Shares of par value HK$0.01 each by the creation of additional 1,961,000,000 Shares with par value HK$0.01 each.

Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the issued share capital of our Company will be HK$8,000,000 divided into 800,000,000 Shares, all fully paid or credited as fully paid.

Save as disclosed above and in the section headed "Our History, Reorganization and Corporate Structure" in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Resolutions in writing of all our Shareholders passed on October 21, 2019

(i) Pursuant to the resolutions in writing of all our Shareholders passed on October 21, 2019:

(a) our Company approved and adopted the Memorandum and the Articles, conditionally upon the fulfilment of the Conditions (as defined below) and with effect from the Listing Date;

(b) the authorized share capital of our Company was increased from HK$390,000 divided into 39,000,000 Shares of par value HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 Shares of par value HK$0.01 each, by the creation of additional 1,961,000,000 Shares each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;

(c) conditional on (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and Shares to be issued (pursuant to the Capitalization Issue, the Global Offering and the exercise of the Over-allotment Option) and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with their terms or otherwise (together, the "Conditions"):

(i) the Global Offering was approved and our Directors were authorized to effect the same and to allot and issue the Offer Shares pursuant to the Global Offering;

(ii) the grant of the Over-allotment Option was approved;

(iii) the proposed Listing was approved and our Directors were authorized to implement the Listing; and

(iv) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed "D. Other Information — 1. Share Option Scheme" in this appendix, were approved and adopted with effect from the Global Offering and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of the options which may be granted under the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme;

(d) the Capitalization Issue was approved, and subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the issue of Offer Shares pursuant to the Global Offering, the Directors were authorised to allot and issue a total of 599,999,000 Shares credited as fully paid at par value to the holders of Shares whose names appear on the register of members or the principal share register of the Company at the close of business on October 21, 2019 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalization of the sum of HK$5,999,990 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares;

(e) a general unconditional mandate was granted to our Directors to, inter alia, allot, issue and deal with Shares, the convertible securities or the options and warrants and to make or grant offers, agreements or options which might require such Shares, the convertible securities or the options and warrants to be allotted and issued or dealt with at any time subject to the requirement that the aggregate number of the Shares or the underlying Shares relating to the convertible securities or the options and warrants so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the aggregate of:

(i) 20% of the number of the Shares in issue immediately following the Capitalization Issue and completion of the Global Offering; and

(ii) the number of the Shares repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This mandate does not cover (i) any Shares to be allotted, issued or dealt with under a rights issue or scrip dividend scheme or similar arrangements providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association, a specific authority granted by our Shareholders in a general meeting or upon the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme and (ii) any warrants, options or similar rights to subscribe for (a) any new Shares or (b) any securities convertible into new Shares, for cash consideration. Such mandate will remain in effect until:

(i) at the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest;

(f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with an aggregate number of not exceeding 10% of the aggregate number of the Shares in issue immediately following the Capitalization Issue and the completion of the Global Offering (excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchase made on the Stock Exchange or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will remain in effect until:

(i) the conclusion of our next annual general meeting; or

(ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws or the Articles of Association; or

(iii) it is varied, revoked or renewed by an ordinary resolution of our Shareholders at a general meeting,

whichever is the earliest; and

(g) the general unconditional mandate as mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following the Capitalization Issue and completion of the Global Offering, excluding any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme).

4. Corporate reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of the Shares on the Stock Exchange. For further details, please see "Our History, Reorganization and Corporate Structure."

5. Changes in the share capital of our subsidiaries

Save as disclosed below, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus:

Tianbao Construction Group

On April 17, 2018, the registered capital of Tianbao Construction Group was increased from RMB450,000,000 to RMB1,050,000,000.

Tianbao Corporate Management

On March 18, 2019, the registered capital in Tianbao Corporate Management was increased from RMB50,000,000 to RMB1,352,000,000 by Mr. Li in cash.

6. Particulars of our subsidiaries

Particulars of our subsidiaries are set forth in Note 1 to the Accountants' Report, the text of which is set forth in Appendix I to this prospectus.

7. Repurchase of Shares by our Company

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listings are on the Main Board of the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing of all our Shareholders passed on October 21, 2019, a general unconditional mandate (the "**Repurchase Mandate**") was granted to our Directors authorizing the repurchase by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following the completion of the Capitalization Issue and the Global Offering, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held or when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate nominal value of the company's shares in issue on the date the repurchase mandate is granted. A listed company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

The Listing Rules also prohibit a listed company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company as the Stock Exchange may require.

(iv) Status of Repurchased Securities

A listed company may not make any repurchase of securities after inside information has come to its knowledge until the information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for a listed company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances.

(v) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following Business Day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year reviewed, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vi) Core Connected Persons

A listed company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective close associates and a core connected person is prohibited from knowingly selling his securities to the company, on the Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to receive the general authority from our Shareholders to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such repurchases will be in the interest of our Company and our Shareholders. Such repurchases may, depending on market conditions, funding arrangements and other circumstances at the time, lead to an enhancement of the net value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

Any repurchase of Shares by our Company may be made out of the profits of our Company, out of our Company's share premium account, or out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of either or both the profits of our Company or the share premium account of our Company, before or at time the Shares are repurchased or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, under the circumstances, have a material adverse effect in the opinion of our Directors on the working capital requirements of our Company or its gearing levels. However, there might be a material adverse impact on the working capital or gearing position of our Company as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate is exercised in full.

(d) Share capital

Exercise in full of the Repurchase Mandate, on the basis of 800,000,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 80,000,000 Shares being repurchased by our Company during the period until:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or

(iii) the date on which the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting,

whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands. Our Company has not repurchased any Shares since its incorporation.

No core connected person (as defined in the Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If as a result of a securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "**Code**"). Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of the increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Code as a result. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following the completion of the Global Offering, then, the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be 80,000,000 Shares (being 10% of the issued share capital of our Company based on the aforesaid assumptions). The percentage shareholding of our Controlling Shareholders, in aggregate, will increase to approximately 82.50% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. The above-mentioned increase of shareholdings will give rise to an obligation for our Controlling Shareholders to make a mandatory offer in accordance with Rule 26 of the Code. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 8.08 of the Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by us within the two years preceding the date of this prospectus and are or may be material:

(1) an instrument of transfer dated January 7, 2019 entered into between Mr. Li and the Company, pursuant to which Mr. Li transferred his two ordinary shares in Tianbao China Holdings to the Company, in consideration of which, the Company allotted and issued one ordinary share, credited as fully paid at par, to Mr. Li. This arrangement is referred in the application for share dated January 7, 2019 by Mr. Li;

(2) an instrument of transfer dated January 7, 2019 entered into between Mr. Li and Tianbao China Holdings, pursuant to which Mr. Li transferred 100,000 shares in China Tianbao International to Tianbao China Holdings, in consideration of which, Tianbao China Holdings allotted and issued one ordinary share in Tianbao China Holdings to Mr. Li;

(3) an agreement on termination and release of trust arrangement dated February 1, 2019 entered into by and among Zhangbei Tianbao Investment Management Co., Ltd. (張北天保投資管理有限公司), Tianbao Property Development, Zhangbei Tianbao Hengqi Property, Mr. Li Yaruixin and Mr. Li, pursuant to which the parties thereunder agreed to terminate and release the trust arrangement between Tianbao Property Development and Zhangbei Tianbao Investment Management Co., Ltd. (張北天保投資管理有限公司) and Tianbao Property Development agreed to pay RMB5,000,000 to Zhangbei Tianbao Investment Management Co., Ltd. (張北天保投資管理有限公司) as a consideration for termination and release of the trust arrangement;

(4) an equity transfer agreement dated March 1, 2019 entered into between Tianbao Corporate Management and Mr. Li, pursuant to which Mr. Li agreed to transfer his 96.78% equity interests in Tianbao Construction Group to Tianbao Corporate Management at a consideration of RMB1,016,157,500;

(5) an equity transfer agreement dated March 1, 2019 entered into between Tianbao Corporate Management and Ms. Wang Xinling (王新玲), pursuant to which Ms. Wang Xinling (王新玲) agreed to transfer her 1.11% equity interests in Tianbao Construction Group to Tianbao Corporate Management at a consideration of RMB11,654,600;

(6) an equity transfer agreement dated March 1, 2019 entered into between Tianbao Corporate Management and Ms. Li Yaruimei (李亞睿美), pursuant to which Ms. Li Yaruimei (李亞睿美) agreed to transfer her 1.11% equity interests in Tianbao Construction Group to Tianbao Corporate Management at a consideration of RMB11,654,600;

(7) an equity transfer agreement dated March 1, 2019 entered into between Tianbao Corporate Management and Ms. Zhou, pursuant to which Ms. Zhou agreed to transfer her 59% equity interests in Tianbao Property Development to Tianbao Corporate Management at a consideration of RMB177,834,500;

(8) an equity transfer agreement dated March 1, 2019 entered into between Tianbao Corporate Management and Mr. Li Yaruixin (李亞睿鑫), pursuant to which Mr. Li Yaruixin (李亞睿鑫) agreed to transfer his 40% equity interests in Tianbao Property Development to Tianbao Corporate Management at a consideration of RMB120,565,800;

(9) an equity transfer agreement dated March 22, 2019 entered into between Tianbao Corporate Management and Mr. Li, pursuant to which Mr. Li agreed to transfer his 1% equity interest in Tianbao Construction Group to Tianbao Corporate Management at a consideration of RMB10,499,700.60;

(10) an equity transfer agreement dated March 22, 2019 entered into between Tianbao Corporate Management and Ms. Zhou, pursuant to which Ms. Zhou agreed to transfer her 1% equity interest in Tianbao Property Development to Tianbao Corporate Management at a consideration of RMB3,014,144.81;

(11) an equity transfer agreement dated April 7, 2019 entered into between Zhuozhou Tianbao Industrial and Mr. Li, pursuant to which Mr. Li agreed to transfer his 99% equity interests in Tianbao Corporate Management to Zhuozhou Tianbao Industrial at a consideration of RMB1,338,480,000;

(12) an equity transfer agreement dated April 7, 2019 entered into between Fine Credit Investment and Ms. Wu Mengxia (吳夢夏), pursuant to which Ms. Wu Mengxia (吳夢夏) agreed to transfer her 1% equity interest in Tianbao Corporate Management to Fine Credit Investment at a consideration of HK$1.00;

(13) the Deed of Indemnity;

(14) the Deed of Non-competition; and

(15) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

(a) *Trademarks for which registration has been granted*

No.	Trademark	Place of Registration	Trademark No.	Owner	Class No.	Registration Date
1.		Hong Kong	304745476	Tianbao Property Development	6,16, 19,36, 37,41,42	November 23, 2018
2.	TBGD	Hong Kong	304745467	Tianbao Property Development	6,16, 19,36, 37,41,42	November 23, 2018

No.	Trademark	Place of Registration	Trademark No.	Owner	Class No.	Registration Date
3.		PRC	33548951	Tianbao Construction Group	25	July 7, 2019
4.		PRC	33548808	Tianbao Construction Group	43	June 28, 2019
5.		PRC	33548797	Tianbao Construction Group	31	June 28, 2019
6.		PRC	33548795	Tianbao Construction Group	30	July 21, 2019
7.		PRC	33548786	Tianbao Construction Group	6	June 21, 2019
8.		PRC	33548715	Tianbao Construction Group	37	July 28, 2019
9.		PRC	33548483	Tianbao Construction Group	36	June 28, 2019
10.		PRC	33548308	Tianbao Construction Group	19	June 21, 2019
11.		PRC	33548158	Tianbao Construction Group	33	June 21, 2019
12.		PRC	33548156	Tianbao Construction Group	32	June 21, 2019
13.		PRC	33548151	Tianbao Construction Group	29	June 28, 2019
14.		PRC	33548148	Tianbao Construction Group	20	June 14, 2019
15.		PRC	33548005	Tianbao Construction Group	41	June 14, 2019
16.		PRC	33547532	Tianbao Construction Group	42	June 14, 2019

No.	Trademark	Place of Registration	Trademark No.	Owner	Class No.	Registration Date
17.	天保集团 TIANBAO GROUP	PRC	33545459	Tianbao Construction Group	29	August 7, 2019

(b) Trademarks under registration

As of the Latest Practicable Date, we have also applied for the registration of the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Place of Registration	Registration No.	Applicant	Class	Application Date
1.		PRC	33548946	Tianbao Construction Group	16	September 16, 2018
2.	天保集团 TIANBAO GROUP	PRC	33547477	Tianbao Construction Group	43	September 15, 2018
3.	天保集团 TIANBAO GROUP	PRC	33547126	Tianbao Construction Group	33	September 15, 2018
4.	天保集团 TIANBAO GROUP	PRC	33546978	Tianbao Construction Group	42	September 15, 2018
5.	天保集团 TIANBAO GROUP	PRC	33546975	Tianbao Construction Group	37	September 15, 2018
6.	天保集团 TIANBAO GROUP	PRC	33546125	Tianbao Construction Group	19	September 15, 2018
7.	天保集团 TIANBAO GROUP	PRC	33545934	Tianbao Construction Group	30	September 15, 2018
8.	天保集团 TIANBAO GROUP	PRC	33545932	Tianbao Construction Group	25	September 15, 2018
9.	天保集团 TIANBAO GROUP	PRC	33545931	Tianbao Construction Group	20	September 15, 2018
10.	天保集团 TIANBAO GROUP	PRC	33544557	Tianbao Construction Group	41	September 15, 2018
11.	天保集团 TIANBAO GROUP	PRC	33544542	Tianbao Construction Group	16	September 15, 2018

No.	Trademark	Place of Registration	Registration No.	Applicant	Class	Application Date
12.	天保集团 TIANBAO GROUP	PRC	33544343	Tianbao Construction Group	6	September 15, 2018
13.	天保集团 TIANBAO GROUP	PRC	33543957	Tianbao Construction Group	36	September 15, 2018
14.	天保集团 TIANBAO GROUP	PRC	33543065	Tianbao Construction Group	32	September 15, 2018
15.	天保集团 TIANBAO GROUP	PRC	33542915	Tianbao Construction Group	31	September 15, 2018

Patents

(a) Patents for which registration has been granted

As of the Latest Practicable Date, we were the registered owner of the following patents which we believe are material to our business:

No.	Patent Name	Patent Type	Place of registration	Patent Number	Owner	Application Date
1.	Ruler for Scaffolding detection	Invention	PRC	2015105739103	Tianbao Construction Group	September 11, 2015
2.	Specialized concrete for composite insulation block	Invention	PRC	2009101314471	Tianbao Construction Group	March 31, 2009
3.	Anti-sagging device of the concrete mixer	Utility model	PRC	2018203825508	Tianbao Construction Group	March 21, 2018
4.	Lightweight steel skeleton aerated concrete composite partition board	Utility model	PRC	2018203825298	Tianbao Construction Group	March 21, 2018
5.	Curbstone simple handling tool	Utility model	PRC	2016211350111	Tianbao Construction Group	October 19, 2016
6.	Indoor and outdoor convenient bricking tool	Utility model	PRC	2016211349453	Tianbao Construction Group	October 19, 2016
7.	Connected hose connector cover for junction box	Utility model	PRC	2016211349345	Tianbao Construction Group	October 19, 2016
8.	Mother-son type building structure	Utility model	PRC	2016210404716	Tianbao Construction Group	September 6, 2016

No.	Patent Name	Patent Type	Place of registration	Patent Number	Owner	Application Date
9.	Buckle type building structure	Utility model	PRC	2016210399633	Tianbao Construction Group	September 6, 2016
10.	Self-insulating assembled type building structure	Utility model	PRC	2016210409283	Tianbao Construction Group	September 6, 2016
11.	Round cover junction box	Utility model	PRC	2016204333183	Tianbao Construction Group	May 13, 2016
12.	Combined CL structure Mongolian yurt	Utility model	PRC	2016202243854	Tianbao Construction Group	March 22, 2016
13.	Indoor roof planting boring tool	Utility model	PRC	2015208323241	Tianbao Construction Group	October 23, 2015
14.	Installation Tool for Horizontal Cable Tray Suspender of Garage	Utility model	PRC	2015208273685	Tianbao Construction Group	October 23, 2015
15.	Gasket for Railing Construction	Utility model	PRC	2015206997659	Tianbao Construction Group	September 11, 2015
16.	Device for Partly Dewatering of Foundation Pit	Utility model	PRC	2015204737854	Tianbao Construction Group	July 3, 2015
17.	Ruler for Testing Installation Position and Verticality of Wall Column Template	Utility model	PRC	2015204744754	Tianbao Construction Group	July 3, 2015
18.	Installation Tool for light	Utility model	PRC	2014205394255	Tianbao Construction Group	September 19, 2014
19.	Corner of Wall Mesh for Building	Utility model	PRC	2014206116596	Tianbao Construction Group	October 22, 2014
20.	Automatic Cleaner of Concrete Tanker	Utility model	PRC	2014205394344	Tianbao Construction Group	September 19, 2014
21.	Fixed Installation Structure of Ancient Building	Utility model	PRC	2014205394236	Tianbao Construction Group	September 19, 2014
22.	Concrete Pouring Control Block of Sloping Roof Construction	Utility model	PRC	2013207007784	Tianbao Construction Group	November 8, 2013
23.	Portable Mobile Fence	Utility model	PRC	2013201684911	Tianbao Construction Group	April 7, 2013
24.	Lightweight Wall Panel	Utility model	PRC	2011203180099	Tianbao Construction Group	August 29, 2011
25.	Pre-laid Tube Parts of Foundation Pit Frontier Protection	Utility model	PRC	2011201787783	Tianbao Construction Group	May 31, 2011

No.	Patent Name	Patent Type	Place of registration	Patent Number	Owner	Application Date
26.	Enhancing Tool for Pre-laid Tube Parts of Foundation Pit Frontier Protection	Utility model	PRC	2011201787798	Tianbao Construction Group	May 31, 2011
27.	Assisting Pre-laid Tool for Pre-laid Tube Parts of Foundation Pit Frontier Protection	Utility model	PRC	2011201787764	Tianbao Construction Group	May 31, 2011
28.	Roof Lamp Box Cleaner	Utility model	PRC	2018203825300	Tianbao Construction Group	March 21, 2018

(b) Patents under application

As of the Latest Practicable Date, we had applied for the registration of the following patents, which we consider to be material to our business:

No.	Patent	Type of patent	Place of application	Name of applicant	Application no.	Application date
1.	Self-insulating assembled type building structure	Invention	PRC	Tianbao Construction Group	2016108073616	September 6, 2016
2.	Portable Solder Tin Pot	Utility model	PRC	Tianbao Construction Group	2019200216610	January 7, 2019
3.	Portable Mould for Adjusting Mortar Joint Masonry	Utility model	PRC	Tianbao Construction Group	2019200221286	January 7, 2019
4.	Anchor Bolt Mounting Positioning Control Bracket	Utility model	PRC	Tianbao Construction Group	2019200221267	January 7, 2019
5.	Lightweight Aggregate Interlocking Jigsaw Puzzle Block Facade Ash Spreader	Utility model	PRC	Tianbao Construction Group	2019200221197	January 7, 2019
6.	Portable Concrete Maintenance Spraying System	Utility model	PRC	Tianbao Construction Group	2019200216606	January 7, 2019
7.	Workbench for Hot Melt of Engineering PPR Feed Pipe	Invention	PRC	Tianbao Construction Group	2018106840580	June 28, 2018

Domain Names

As of the Latest Practicable Date, we have registered the following domain name:

Domain Name	Registrant	Date of Registration	Expiry Date
www.chinatbjt.com	Tianbao Construction Group	February 13, 2009	February 13, 2020

Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we consider to be material to the business of our Group:

No.	Copyrights	Registration Number	Place of registration	Registered owner	Registration date
1	Tianbao Group LOGO (天保集團LOGO)	國作登字-2013-F-00084231	PRC	Tianbao Construction Group	March 4, 2013
2	Tianbao Group and logo (天保集團及logo)	2011-F-048057	PRC	Tianbao Construction Group	October 18, 2011

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) Disclosure of interests — interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations

Immediately following the completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), the interest or short position of our Directors or chief executives of our Company in the Shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to our Company and the Stock Exchange, once the Shares are listed, are as follows:

Name of Director	Capacity/nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding interests of our Company
Mr. Li	Interested in a controlled corporation	594,000,000 (Long position)	74.25%

Notes:

(1) The calculation is based on the total number of 800,000,000 Shares in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

(2) Mr. Li holds the entire interests in Jixiang International Industrial. Under the SFO, Mr. Li is deemed to be interested in the Shares held by Jixiang International Industrial.

(b) Particulars of service contracts and letters of appointment

Each of Mr. Li, Ms. Shen Lifeng, Ms. Wang Xinling, Mr. Li Yaruixin, Mr. Zang Lin and Ms. Wang Huijie, being our executive Directors, has entered into a service contract with our Company on October 21, 2019. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

Each of Mr. Li Xu, Mr. Liu Kaixiang and Mr. Li Qingxu, being our independent non-executive Directors, has entered into a letter of appointment with our Company. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations.

(c) Directors' remuneration

The aggregate remuneration (including fees, salaries, allowances, benefits in kind, pension schemes contributions and social welfare) paid to our Directors for the three years ended December 31, 2016, 2017 and 2018 and four months ended April 30, 2019 were approximately RMB591,000, RMB696,000, RMB890,000 and RMB249,000, respectively.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years and four months ended April 30, 2019 immediately preceding the issue of this prospectus.

Save as disclosed above, no other payments have been made or are payable in respect of the three years ended December 31, 2016, 2017 and 2018 and four months ended April 30, 2019 by any member of our Group to any of our Directors.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group.

Further details of the terms of the above service contracts are set forth in the paragraph headed "C. Further Information About Our Directors And Substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" in this appendix.

2. Substantial Shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this prospectus, immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), our Directors are not aware of any other person (other than our Directors and chief executive of our Company) who has an interest and/or short position in the Shares or the underlying shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

3. Agency fees or commissions received

No commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

4. Related-Party Transactions

During the two years preceding the date of this prospectus, our Company engaged in related party transactions as described in the Accountants' Report set out in Appendix I to this prospectus under the paragraph headed "II. Notes to the Historical Financial Information — 39. Related Party Transactions".

5. Disclaimers

Save as disclosed in "C. Further Information about Our Directors and Substantial Shareholders — 1. Directors" in this section:

(a) none of our Directors or the chief executive of our Company has any interest or short position in the Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the Shares are listed;

(b) none of our Directors or any of the experts referred to under paragraph headed "D. Other Information — 9. Qualification of Experts" in this appendix has any direct or indirect interest in the promotion of our 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 any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group;

(d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) so far as is known to our Directors or chief executive of our Company, no person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalization Issue and the Global Offering, have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and

(f) none of our Directors, their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the written resolutions of all our Shareholders on October 21, 2019.

(a) Purpose

The purpose of the Share Option Scheme is to enable our Group to grant options to selected participants as incentives or rewards for their contribution to our Group. Our Directors believe the Share Option Scheme will enable our Group to reward our employees, our Directors and other selected participants for their contributions to our Group. Given that our Directors are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by our Directors, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalize on the benefits of the options granted.

(b) Who may join

Our Directors (which expression shall, for the purpose of this paragraph, include a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares (collectively the "**Eligible Participants**"):

(i) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of any member of our Group; and

(ii) any advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the purposes of the Share Option Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) Maximum number of Shares

(i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 30% of the issued share capital of the Company from time to time.

(ii) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group shall not in aggregate exceed 10% of the aggregate of the Shares in issue as at the date of approval of the Share Option Scheme, and such 10% limit represents 60,000,000 Shares (the "**General Scheme Limit**").

(iii) Subject to paragraph (i) above and without prejudice to paragraph (iv) below, the Company may issue a circular to its Shareholders and seek approval of its Shareholders in a general meeting to extend the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share options scheme of our Group shall not exceed 10% of the Shares in issue as of the date of approval of the limit and, for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted. The circular sent by the Company to its Shareholders shall contain, among other information, the information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(iv) Subject to paragraph (i) above and without prejudice to paragraph (iii) above, the Company may seek separate Shareholders' approval in a general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph (iii) above to participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to its Shareholders containing a general description of the identified participants, the number and terms of options to be granted, the purpose of granting options to the identified participants with an explanation as to how the terms of the options serve such purpose and all other information required under Rule 17.02(2)(d) of the Listing Rules and the disclaimer required under Rule 17.02(4) of the Listing Rules.

(v) The exercise of any option shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of shares upon exercise of option(s).

(d) Maximum entitlement of each participant

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "**Individual Limit**"). Any further grant of options to a participant in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of the Company with such participant and his close associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 17.03(9) of the Listing Rules.

(e) Grant of options to connected persons

(i) Any grant of options under the Share Option Scheme to any Director, chief executive or substantial Shareholder of the Company or any of their respective associates must be approved by our independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

(ii) Where any grant of options to a substantial Shareholder of the Company or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and
- having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of each grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange);

such further grant of options must be approved by our Shareholders in a general meeting. The Company must send a circular to its Shareholders no later than the date on which the Company gives notice of the general meeting to approve the Share Option Scheme. The grantees, their associates and all core connected persons of the Company must abstain from voting at such general meeting, except that they may vote against the relevant resolution at the general meeting provided that any of their intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive Director or any of their respective associates must be approved by our Shareholders in a general meeting.

(f) Time of acceptance and exercise of option

An option may be accepted by a participant to whom the offer is made within 5 business days from the date on which the letter containing the offer is delivered to that participant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme. Unless otherwise determined by our Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof, which must be received by the Company within 5 business days from the date on which the offer letter is delivered to the grantee.

(g) Performance targets

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Share Option Scheme can be exercised.

(h) Subscription price for Shares and consideration for the option

The subscription price per Share under the Share Option Scheme will be a price determined by our Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the offer of grant (provided that in the event that any option is proposed to be granted within a period of less than five business days after the trading of the Shares first commences on the Stock Exchange, the new issue price of the Shares for the Global Offering shall be used as the closing price for any business day falling within the period before listing of the Shares on the Stock Exchange); and (iii) the nominal value of a Share on the date of grant.

(i) Ranking of Shares

(i) Shares allotted and issued upon the exercise of an option will be identical to the then existing issued shares of the Company and subject to all the provisions of the Memorandum and the Articles for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date the name of the grantee is registered on the register of members of the Company or, if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members (the "**Exercise Date**") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register until the completion of the registration of the grantee on the register of members of the Company as the holder thereof.

(ii) Unless the context otherwise requires, references to "Shares" in this paragraph include references to shares in the ordinary equity share capital of the Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of the Company from time to time.

(j) Restrictions on the time of grant of options

No offer for grant of options shall be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (i) the date of the meeting of our Directors (as such date is first notified to the Stock Exchange in accordance with the requirements of the Listing Rules) for the approval of the Company's results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules); and (ii) the last date on which the Company must publish its announcement of its results for any year, half-year, quarter or any other interim period (whether or not required under the Listing Rules), and ending on the date of the announcement of the results, no offer for grant of options may be made.

Our Directors may not grant any option to a participant who is a Director during the period or time in which Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

(k) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

(l) Rights are personal to the grantee

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option.

(m) Rights on ceasing employment

If the grantee of an option is an Eligible Participant and ceases to be an Eligible Participant for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub- paragraph (o) below before exercising his option in full, the option (to the extent not already exercised) will lapse on the date of cessation and will not be exercisable unless our Directors otherwise determine in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was physically at work with our Group or the relevant subsidiary whether salary is paid in lieu of notice or not.

(n) Rights on death, ill-health or retirement

If the grantee of an option is an Eligible Participant and ceases to be an Eligible Participant by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s), or, as appropriate, the grantee may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of cessation which date shall be the last day on which the grantee was physically at work with our Group or the relevant subsidiary whether salary is paid in lieu of notice or not or such longer period as our Directors may determine.

(o) Rights on dismissal

If the grantee of an option is an Eligible Participant and ceases to be an Eligible Participant by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or our Group or the relevant subsidiary into disrepute) or on any other ground on which an employer would be entitled to terminate his or her employment summarily, his option will lapse automatically and will not be exercisable on or after the date of ceasing to be an Eligible Participant.

(p) Rights on breach of contract

If our Directors shall at their absolute discretion determine that (i)(1) the grantee of any option (other than an Eligible Participant) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any relevant subsidiary on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (ii) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in items (1), (2) or (3) in (i) above, his option will lapse automatically and will not be exercisable on or after the date on which our Directors have so determined.

(q) Rights on a general offer, a compromise or arrangement

If a general or partial offer, whether by way of take-over offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, a grantee shall be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his option at any time before the close of such offer (or any revised offer) or the record date for entitlements under such scheme of arrangement, as the case may be.

(r) Rights on winding up

In the event of a resolution being proposed for the voluntary winding-up of the Company during the option period, the grantee may, subject to the provisions of all applicable laws, by notice in writing to the Company at any time not less than two business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of the Share Option Scheme and the Company shall allot and issue to the grantee the Shares in respect of which such grantee has exercised his option not less than one business day before the date on which such resolution is to be considered and/or passed whereupon the grantee shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of the Company available in liquidation pari passu with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of the Company.

(s) Grantee being a company wholly owned by Eligible Participants

If the grantee is a company wholly owned by one or more Eligible Participants: sub-paragraphs (k), (m), (n) and (o) shall apply to the grantee and to the options to such grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in sub-paragraphs (k), (m), (n) and (o) shall occur with respect to the relevant Eligible Participant, and the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Eligible Participant provided that our Directors may in their absolute discretions decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(t) Adjustments to the subscription price

In the event of a capitalization issue, rights issue, subdivision or consolidation of Shares or reduction of capital of the Company whilst an option remains exercisable, such corresponding adjustments (if any) certified by the auditors for the time being of or an independent financial advisor to the Company as fair and reasonable will be made to (i) the number or nominal amount of Shares to which the Share Option Scheme or any option relates, so far as unexercised, and/or (ii) the subscription price of the option concerned, and/or (iii) the method of exercise of the Option, provided that (1) any adjustments shall give a grantee the same proportion of the issued share capital to which he was entitled prior to such alteration; (2) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring adjustment; and (3) no adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value. In addition, in respect of any such adjustments, other than any adjustments made on a capitalization issue, such auditors or independent financial advisor must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules and such other applicable guidance and/or interpretation of the Listing Rules from time to time issued by the Stock Exchange (including, but not limited to, the "Supplementary Guidance on Main Board Listing Rule 17.03(13) and the Note immediately after the Rule" attached to the letter from the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes).

(u) Cancellation of options

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee.

When the Company cancels any option granted to a grantee but not exercised and issues new option(s) to the same grantee, the issue of such new option(s) may only be made with available unissued options (excluding the options so cancelled) within the General Scheme Limit or the new limits approved by our Shareholders pursuant to sub-paragraphs (c) (iii) and (iv) above.

(v) Termination of the Share Option Scheme

The Company by ordinary resolution in a general meeting or the Board may at any time terminate the Share Option Scheme and in such event no further options shall be offered or granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Lapse of option

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

(i) the expiry of the period referred to in sub-paragraph (f);

(ii) the date or the expiry of the periods or dates referred to in sub-paragraphs (k), (m), (n), (o), (q) and (r);

(iii) the date on which the grantee commits a breach of the provision which restricts the grantee to transfer or assign an option granted under the Share Option Scheme or sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this scheme;

(iv) the date on which the grantee (being an employee or a director of any member of our Group) ceases to be an Eligible Participant of the Share Option Scheme by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily;

(v) the date on which the grantee joins a company which the Board believes in its sole and reasonable opinion to be a competitor of the Company;

(vi) the date on which the grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally; and

(vii) unless our Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (m) or (n), the date the grantee ceases to be an Eligible Participant (as determined by a Board resolution) for any other reason.

(x) Others

(i) The Share Option Scheme is conditional on the Listing Committee of the Stock Exchange granting or agreeing to grant approval of (subject to such condition as the Stock Exchange may impose) the listing of and permission to deal in such number of Shares to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, such number representing the General Scheme Limit. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in the Shares to be issued within the General Scheme Limit pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(ii) The terms and conditions of the Share Option Scheme relating to the matters set forth in Rule 17.03 of the Listing Rules shall not be altered to the advantage of grantees of the options except with the approval of our Shareholders in a general meeting.

(iii) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(iv) The amended terms of the Share Option Scheme or the options shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(v) Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders in a general meeting.

(y) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(z) Grant of options

As of the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

2. Estate Duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

3. Tax and Other Indemnity

Our Controlling Shareholders (the "**Indemnifiers**") have entered into the Deed of Indemnity (being a material contract referred to in the sub-section headed "B. Further Information About Our Business — 1. Summary of Material Contracts" in this appendix) in favor of our Company (for itself and as trustee for each of our subsidiaries) to provide the indemnities on a joint and several basis in respect of, among other matters, taxation resulting from profits or gains earned, accrued or received, as well as any penalties imposed due to non-compliance with any applicable laws and regulations, all tax liabilities and any litigation on or before the date when the Global Offering becomes unconditional.

4. Litigation

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the section headed "Business — Legal Proceedings and Compliance" in this prospectus and so far as our Directors are aware, no litigation or claim of material importance (to our Group's financial condition or results of operation) is pending or threatened against any member of our Group.

5. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned in this prospectus. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The aggregate sponsor fee payable to the Joint Sponsors by our Company is US$1,000,000.

6. Preliminary Expenses

Our preliminary expenses are estimated to be approximately US$4,300 and are payable by our Company.

7. Promoter

We do not have any promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoter in connection with the Global Offering and the related transactions described in this prospectus.

8. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. The Revenue (Abolition of Estate Duty) Ordinance

2005 came into effect on February 11, 2006 in Hong Kong. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of Shares whose death occurs on or after February 11, 2006.

(b) Cayman Islands

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisors

Intending holders of the Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasized that none of our Company, our Directors or the other parties involved in the Global Offering will accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercise of any rights attaching to them.

9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	**Qualifications**
ABCI Capital Limited	Licenses of type 1 (dealing in securities) and type 6 (advising on corporate finance)
Guotai Junan Capital Limited	License of type 6 (advising on corporate finance)
Ernst & Young	Certified public accountants
Jia Yuan Law Offices	PRC Legal Advisor to our Company
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property Valuer
Appleby	Cayman Islands legal advisor to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry Consultant
Hebei Bodian Law Firm	PRC litigation counsel

10. Consents of Experts

Each of the experts named in paragraph 9 of this appendix has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance on the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

12. 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.

13. Miscellaneous

(a) save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:

(i) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iii) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) save as disclosed in this prospectus, no share or loan capital of our Company or any of our subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;

(c) save as disclosed in this prospectus, there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;

(d) none of the persons named in the sub-paragraph headed "D. Other Information — 9. Qualification of Experts" in this appendix is interested beneficially or otherwise in any shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of our Group;

(e) our Directors confirm that there has been no material adverse change in the financial or trading position of our Group since April 30, 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up);

(f) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

(g) our principal share register will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, at Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands, in the Cayman Islands and our Hong Kong branch share register will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. All transfer and other documents of title of the Shares must be lodged for registration with and registered by our share register in Hong Kong. All necessary arrangements have been made to enable the Shares to be admitted to CCASS;

(h) no company within our Group is listed on any stock exchange or traded on any trading system and at present, and our Group is not seeking or proposing to seek any listing of, or permission to deal in, the share or loan capital of our Company on any other stock exchange; and

(i) there is no arrangement under which future dividends are waived or agreed to be waived.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) a copy of each of the material contracts referred to in the sub-section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus; and

(c) the written consents referred to in the sub-section headed "Statutory and General Information — D. Other Information — 10. Consents of Experts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Anthony Siu & Co., Solicitors & Notaries in Association with Jia Yuan Law Office at 17/F, No. 238 Des Voeux Road Central, Sheung Wan, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Memorandum of Association and the Articles of Association;

(b) the accountants' report for the three years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(c) the letter from Ernst & Young in respect of the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(d) the audited consolidated financial statements of the Group for the three years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019;

(e) the letter, summary of valuations and valuation certificates relating to the property interests of the Group prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in Appendix III to this prospectus;

(f) the PRC legal opinions issued by Jia Yuan Law Offices, our PRC legal adviser, dated the date of this prospectus in respect of certain aspects of our Group and the property interests of our Group;

(g) the letter of advice prepared by Appleby, our legal adviser as to the law of the Cayman Islands, summarizing certain aspects of Cayman Islands company law referred to in "Summary of the Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this prospectus;

(h) the material contracts referred to in the sub-section headed "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix V to this prospectus;

(i) the written consents referred to in the sub-section headed "Statutory and General Information — D. Other Information — 10. Consents of Experts" in Appendix V to this prospectus;

(j) service contracts and the letters of appointment referred to in the sub-section headed "Statutory and General Information — C. Further Information About Our Directors and Substantial Shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" in Appendix V to this prospectus;

(k) the Cayman Companies Law;

(l) the rules of the Share Option Scheme;

(m) the industry report issued by Frost & Sullivan; and

(n) the legal opinion issued by Hebei Bodian Law Firm, our PRC litigation counsel, in respect of certain legal proceedings in PRC brought by or against our Group.

TBGD