河北建設集團股份有限公司
HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

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

STOCK CODE: 1727

GLOBAL OFFERING

Joint Sponsors

CICC 中金公司

招银国际 CMB INTERNATIONAL

Joint Global Coordinators

CICC 中金公司

招银国际 CMB INTERNATIONAL

中泰國際 ZHONGTAI INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

CICC 中金公司

招银国际 CMB INTERNATIONAL

中泰國際 ZHONGTAI INTERNATIONAL

農銀國際 ABC INTERNATIONAL

建银国际 CCB International

CMS 招商證券國際

IMPORTANT

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

河北建設集團股份有限公司
HEBEI CONSTRUCTION GROUP CORPORATION LIMITED

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**433,334,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**43,334,000 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**390,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$5.36 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**1727**

Joint Sponsors

CICC 中金公司 招銀国际 CMB INTERNATIONAL

Joint Global Coordinators

CICC 中金公司 招銀国际 CMB INTERNATIONAL 中泰國際 ZHONGTAI INTERNATIONAL

Joint Bookrunners and Joint Lead Managers

CICC 中金公司 招銀国际 CMB INTERNATIONAL 中泰國際 ZHONGTAI INTERNATIONAL 農銀國際 ABC INTERNATIONAL 建银国际 CCB International CMS 招商證券國際

A copy of this prospectus, having attached thereto the documents specified in "Appendix VIII – Documents Delivered to the Registrar of Companies and Available for Inspection" in 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 as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, December 8, 2017 (Hong Kong time) and, in any event, not later than Thursday, December 14, 2017 (Hong Kong time). The Offer Price will be not more than HK$5.36 and is currently expected to be not less than HK$4.46 per Offer Share. If, for any reason, the Offer Price is not agreed by Thursday, December 14, 2017 (Hong Kong time) between the Joint Representatives (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Share are required to pay, on application, the maximum Offer Price of HK$5.36 for each Hong Kong Offer Share together with a brokerage fee of 1.0%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$5.36.

The Joint Representatives, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$4.46 to HK$5.36) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.hebjs.com.cn and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in "Risk Factors," "Appendix V – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" to this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination" of this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered, sold, pledged, transferred, or delivered within the United States except that Offer Shares may be offered, sold or delivered outside the United States in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act.

December 5, 2017

Hong Kong Public Offering commences and **WHITE** and **YELLOW** Application Forms available from . . . . 9:00 a.m. on Tuesday, December 5, 2017

Latest time to complete electronic applications under **HK eIPO White Form** service through the designated website **www.hkeipo.hk** [2]. . . . . 11:30 a.m. on Friday, December 8, 2017

Application lists open[3]. . . . . 11:45 a.m. on Friday, December 8, 2017

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . 12:00 noon on Friday, December 8, 2017

Latest time to give **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Friday, December 8, 2017

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . 12:00 noon on Friday, December 8, 2017

Application lists close. . . . . 12:00 noon on Friday, December 8, 2017

Expected Price Determination Date. . . . . Friday, December 8, 2017

Announcement of

- the Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares to be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on our website at **www.hebjs.com.cn**[5] and the website of the Hong Kong Exchange and Clearing Limited at **www.hkexnews.hk** [6] on or before . . . . Thursday, December 14, 2017

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see "How to Apply for Hong Kong Offer Shares – 11. Publication of Results") from	Thursday, December 14, 2017
Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function	Thursday, December 14, 2017
H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before [7]	Thursday, December 14, 2017
e-Auto Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9]	Thursday, December 14, 2017
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at	9:00 a.m. on Friday, December 15, 2017

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in "Structure of the Global Offering".

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

(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 Friday, December 8, 2017, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares – 10. 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 – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) The website or any of the information contained on the website does not form part of this prospectus.

(6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and are eligible to collect the share certificates in person may collect the refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Thursday, December 14, 2017. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in "How to Apply for Hong Kong Offer Shares".

(8) Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(9) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The H Shares certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Friday, December 15, 2017. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

The above expected timetable is a summary only. See "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" 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.

This prospectus is issued by us 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 Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or advisors, or any other person or party involved in the Global Offering. Information contained on our website, located at www.hebjs.com.cn, does not form part of this prospectus.

Page

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document 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 leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. According to Frost & Sullivan, in terms of revenue in 2016, we were the largest non-state owned construction contracting company in the Beijing-Tianjin-Hebei Region and the second largest non-state owned construction contracting company in China. Our total revenue increased from RMB24,859.1 million in 2014 to RMB38,609.4 million in 2016, representing a CAGR of 24.6% from 2014 to 2016. Our profit for the year increased from RMB351.3 million in 2014 to RMB813.6 million in 2016, representing a CAGR of 52.2% from 2014 to 2016. Our profit from continuing operations for the period increased by 44.0% from RMB328.5 million in the six months ended June 30, 2016 to RMB472.9 million in the same period in 2017.

We achieved considerable profit growth during the Track Record Period due to the combination of the following: (i) rapid growth in our public and residential building construction projects due to sustained urbanization process resulting from favorable economic and industrial policies in China, as well as our active efforts in extending and deepening our business network; (ii) our response to increased infrastructure investment and the accelerated transportation integration in the Beijing-Tianjin-Hebei Region by undertaking more infrastructure projects; (iii) our constantly optimizing business mix by undertaking more construction contracting projects with higher margins, including PPP projects; and (iv) our increased economies of scale and our enhanced budget management.

Home to over 100 million people and contributing over one-tenth of China's GDP in 2016, the Beijing-Tianjin-Hebei Region has a vibrant, open and innovative economy, and is one of the key engines of China's economic growth. Rooted in Hebei Province for 65 years, we are well-positioned to benefit from PRC national strategies of the coordinated development of the Beijing-Tianjin-Hebei Region and the establishment of the Xiong'an New Area. In 2017, we ranked 366th among the "Top 500 Enterprises in China" according to the China Enterprise Confederation and the China Enterprise Directors Association, and in 2017, we ranked 20th among the "Top 80 Contractors in China" according to the Construction Times.

Our construction contracting business covers residential, public, industrial and commercial buildings, municipal and transportation infrastructure, as well as specialized construction, such as electrical and mechanical installation and steel structure. Our construction projects are generally awarded through a bidding process or sometimes by contract negotiations with our customers. Leveraging our brand name, the diverse coverage of our qualifications and a nationwide business network, we have built a successful track record in the construction contracting industry. We have undertaken the construction of a number of landmark projects, such as the Lee Shau-Kee Science and Technology Building of Tsinghua University, Medical Building of the Central South University Xiangya Hospital (New Medical District), expansion project of the Hohhot Baita International Airport, and the Large-Scale Products Mechanical Processing Plant Complex for China Academy of Space Technology.

In recognition of our achievements, we earned many national-level awards. In particular, we have won 18 Lu Ban Awards, and as a result, we were among the first to win the Gold Award for Outstanding Contribution for Launching of Lu Ban Award Winning Construction in 2012 and have been accredited "An Entity of Outstanding Contribution for Launching of Lu Ban Award Winning Construction" in 2017. Notable awards we have received also include the Tien-yow Jeme Civil Engineering Prize, the National Quality Award, the Second Prize of the National Science and Technology Progress Award, and the "100 Classic and Quality Projects in the 60 Years since the Founding of the PRC."

While building construction has been our core business, we have continually improved our portfolio of services and identified infrastructure construction as our strategic growth areas, with higher profit margins compared to that of building construction, and our revenue from infrastructure increased from RMB5,716.9 million in 2014 to RMB12,198.8 million in 2016, representing a CAGR of 46.1%. China's infrastructure development has been growing at a rapid pace, and the growth is expected to continue in the near future, driven by strong economic growth and continued urbanization. Infrastructure construction is fundamental to the development of the Xiong'an New Area, which covers mostly suburban areas. Hebei Province has also planned to make significant investments in its transportation infrastructure, in response to the coordinated development of the Beijing-Tianjin-Hebei Region national strategy. In 2014, 2015, 2016, and the six months ended June 30, 2017, 62.4%, 60.2%, 64.5% and 64.1% of our revenue from construction contracting business were generated from projects in the Beijing-Tianjin-Hebei Region, respectively. Our construction contracting business mainly includes the procurement construction (PC) contracting model, the construction contracting model and the engineering, procurement and construction (EPC) contracting model. During the Track Record Period, approximately 75.0%, 20.1% and 4.9% of the contract value of, and approximately 87.8%, 9.7% and 2.5% of revenue generated from our construction contracting business were through each of these contracting models, respectively. See "Business – Construction Contracting Business – Contracting Models" beginning on page 143 of this prospectus. By leveraging our industry expertise, track record and enduring customer relationships, we are well-positioned to capture the rapidly growing business opportunities in the infrastructure development, including PPP projects, in the Xiong'an New Area, the Beijing-Tianjin-Hebei Region and elsewhere in China.

Over the years, we have been dedicated to the research and development which we believe will drive the improvement and innovation of our construction contracting business. For example, we received the second prize of the National Science and Technology Progress Award. As of June 30, 2017, we had successfully developed a total of 105 national- and provincial-level construction process methodologies. Our total expenses related to research and development for 2014, 2015, 2016 and the six months ended June 30, 2017 amounted to RMB14.5 million, RMB19.3 million, RMB28.1 million and RMB14.4 million, respectively.

In addition to our construction contracting business, we also engage in the development and sale of residential and commercial properties in China and provide property management services. Going forward, we may consider reducing the scale of our property development business or, if necessary, disposing of this business as it is not part of our core business. We historically engaged in businesses that included water utilities services and construction labor services, or discontinued operations. In December 2016, our Directors resolved to dispose of certain discontinued operations, in an effort to focus our resources on our construction contracting business. For more details, see "History, Reorganization and Corporate Structure – Reorganization" beginning on page 99 of this prospectus and "Business – Discontinued Operations" beginning on page 170 of this prospectus.

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

	Year ended December 31,						**Six months ended June 30,**			
	2014		**2015**		**2016**		**2016**		**2017**	
	Revenue	**% of revenue**	**Revenue**	**% of revenue**	**Revenue**	**% of revenue**	**Revenue**	**% of revenue**	**Revenue**	**% of revenue**
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)* (Unaudited)		*(RMB in millions)*	
Segment										
Construction contracting business	25,097.5	99.4%	27,242.3	98.0%	39,176.1	97.7%	19,114.7	98.6%	19,256.9	95.2%
Other businesses	139.0	0.6	556.5	2.0	904.5	2.3	279.8	1.4	960.8	4.8
Subtotal	**25,236.5**	**100.0%**	**27,798.8**	**100.0%**	**40,080.6**	**100.0%**	**19,394.5**	**100%**	**20,217.7**	**100%**
Intersegment elimination	(321.2)		(512.7)		(898.2)		(515.8)		(190.1)	
Adjusted revenue(1)	**24,915.3**		**27,286.1**		**39,182.4**		**18,878.7**		**20,027.6**	
Elimination of sales between continuing and discontinued operations	(56.2)		(70.4)		(573.0)		(288.9)		–	
Total	**24,859.1**		**27,215.7**		**38,609.4**		**18,589.8**		**20,027.6**	

(1) Adjusted revenue is defined as revenue for our continuing operations added back with the eliminated sales from our continuing operations to our discontinued operations. In this prospectus, we also use certain non-IFRS measures, including adjusted revenue, adjusted cost of sales, adjusted gross profit, adjusted profit before tax and adjusted profit/(loss) for the year, as additional financial measures, which are not required by, or presented in accordance with IFRSs. We believe that these non-IFRS measures help identify underlying trends in our business that could otherwise be distorted by the elimination of income and expenses between our continuing and discontinued operations. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations, enhance the overall understanding of our past performance and future prospects in the same manner as they help our management. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs. See "Financial Information – Discontinued Operations and Non-IFRS Measures" beginning on page 250 of this prospectus.

OUR COMPETITIVE STRENGTHS

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

- We are well-recognized in the industry for our outstanding performance in construction quality, safety and innovation.
- We are well-positioned to benefit from the national policies of coordinated development of the Beijing-Tianjin-Hebei Region and the establishment of the Xiong'an New Area.
- Our unique corporate culture and characteristics fostered over our 65 years of development allowed us to provide long-term quality services to our clients.
- With a broad range of qualifications and a growing and optimizing business mix, we continued to win mandates for high-quality projects.
- We have developed a replicable management model and an extensive business network throughout China.
- We experienced fast growth during the Track Record Period.

OUR STRATEGIES

Our goal is to continue to capture greater market share in the Beijing-Tianjin-Hebei Region and elsewhere in China to further reinforce our leading position in the construction contracting industry. We aim to expand our business to the provision of municipal services, and become a leading integrated construction service provider and municipal service provider. To achieve this goal, we intend to pursue the following strategies:

- Seize the opportunities brought by the national strategies of coordinated development of the Beijing-Tianjin-Hebei Region and establishment of the Xiong'an New Area to further expedite our development;
- Optimize our qualification portfolio and expand our business network to further improve our nationwide market share;
- Continue to improve our business mix to further enhance our profitability;
- Strengthen budget management and cost control to improve our rate of return;
- Strengthen engineering and technological innovation and IT capabilities to further improve our efficiency and competitiveness; and
- Enhance our corporate governance and human resources management by further strengthening our corporate culture.

RISK FACTORS

There are certain risks relating to an investment in the Offer Shares. These risks can be characterized as: (i) risks relating to our business and industry; (ii) risks relating to conducting business in the PRC; and (iii) risks relating to the Global Offering. The following are some of the major risks that we face:

- Our business and future growth are subject to macroeconomic conditions in China, particularly the Beijing-Tianjin-Hebei Region, and changes in government policies and market demand for our services, which are beyond our control.

- 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.

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

- We have limited control over the experience, availability and cost of our subcontracted workers.

- We may not be able to meet our significant working capital requirements if we experience significant increases in amounts due from contract customers, significant delays in our billing and settlement process, or significant delays or defaults in our trade and bills receivables, performance guarantees or retention fees from our customers.

- PPP projects typically require significant cash outlays and feature long payback periods and we may require substantial funding for these projects.

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

OUR CUSTOMERS AND SUPPLIERS

We do not have major customers or suppliers. In 2014, 2015, 2016 and the six months ended June 30, 2017, revenue attributable to our five largest customers accounted for less than 30.0% of our total revenue. In the same period, purchases from our five largest suppliers accounted for less than 30.0% of our total purchase.

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.

BACKLOG, NEW CONTRACT VALUE AND CONSTRUCTION CONTRACT WORK-IN-PROGRESS

Backlog

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. The following table sets forth the breakdown of our backlog of the construction contracting business as of the following dates:

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Contract value	% of total	Contract value	% of total	Contract value	% of total	Contract value	% of total
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)*	
Building construction	28,374.4	68.9%	32,405.4	70.4%	34,354.6	70.7%	41,840.9	70.2%
Infrastructure construction	9,849.1	23.9	10,572.7	23.0	11,207.9	23.0	13,991.8	23.5
Specialized and other construction	2,953.5	7.2	3,030.4	6.6	3,049.9	6.3	3,756.6	6.3
Total	**41,177.0**	**100.0%**	**46,008.5**	**100.0%**	**48,612.4**	**100.0%**	**59,589.3**	**100.0%**

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 aggregate value of new contracts entered into by us in respect of our construction contracting business for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2014		2015		2016		2017	
	Contract value	% of total	Contract value	% of total	Contract value	% of total	Contract value	% of total
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)*	
Building construction	22,758.2	64.4%	26,796.0	72.4%	30,088.4	62.3%	22,256.0	56.3%
Infrastructure construction	9,694.8	27.5	5,747.1	15.6	13,078.2	27.1	16,334.3	41.3
Specialized and other construction	2,882.9	8.1	4,442.6	12.0	5,093.9	10.6	971.2	2.4
Total	**35,335.9**	**100.0%**	**36,985.7**	**100.0%**	**48,260.5**	**100.0%**	**39,561.5**	**100.0%**

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

	Year ended December 31,									Six months ended June 30,		
	2014			2015			2016			2017		
Contract Value Range	Number of contracts	Total contract value	% of total	Number of contracts	Total contract value	% of total	Number of contracts	Total contract value	% of total	Number of contracts	Total contract value	% of total
		(RMB in millions)			*(RMB in millions)*			*(RMB in millions)*			*(RMB in millions)*	
Within RMB50 million	1,237	8,523.3	24.1%	1,333	9,339.0	25.2%	1,527	11,384.4	23.6%	564	5,607.1	14.2%
RMB50 million to RMB100 million *(excluding RMB100 million)*	61	4,291.1	12.2	85	6,131.1	16.6	107	7,502.0	15.5	68	4,733.5	12.0
RMB100 million to RMB300 million	53	9,017.9	25.5	83	14,424.5	39.0	100	16,655.6	34.5	76	13,177.7	33.3
Over RMB300 million	24	13,503.6	38.2	9	7,091.1	19.2	20	12,718.5	26.4	18	16,043.2	40.5
Total	**1,375**	**35,335.9**	**100.0%**	**1,510**	**36,985.7**	**100.0%**	**1,754**	**48,260.5**	**100.0%**	**726**	**39,561.5**	**100.0%**

Construction Contract Work-in-Progress

Our significant amount of construction contract work-in-progress, which was RMB20,539.7 million, RMB20,686.3 million, RMB24,896.4 million and RMB23,769.4 million as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively, was primarily due to: (a) the usual timing difference between the date of completion of construction works and the date of progress billings and the duration of our construction projects which leads to an accumulated effect of our balance of amounts due from contract customers; and (b) an increase in the number and scale of our construction projects during the Track Record Period, but not due to the long period of the customer inspection and acceptance process. See "Financial Information – Liquidity and Capital Resources – Construction Contract Work-in-Progress" beginning on page 278 of this prospectus. The customer inspection and acceptance process for our projects is in line with that for our peers in the market.

As of October 31, 2017, RMB20,938.7 million, RMB18,669.3 million, RMB12,673.3 million and RMB6,218.1 million of our amounts due from contract customers as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively, were subsequently billed to our customers in accordance with the terms of our construction contracting contracts, representing 86.9%,72.8%,45.7% and 23.2% of our amounts due from contract customers as of the same dates, respectively. A majority of our amounts due from contract customers as of December 31, 2016 and June 30, 2017 remained unbilled as of October 31, 2017, primarily due to the combination of (i) in line with the industry practice, we generally send a substantial portion of our progress billings to customers around the New Year or Chinese New Year, and (ii) most of our ongoing contraction projects have progress payment arrangements where we send progress billings to our customers based on certain milestone achieved on the projects, and as our large-scale construction projects require over two to three years to complete, the timing difference in between any project milestones may exceed six months or longer.

SELECTED HISTORICAL FINANCIAL DATA

The following tables present our summary consolidated financial information as of and for the years or period ended December 31, 2014, 2015 and 2016, and June 30, 2016 and 2017. 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 Consolidated Statements of Profit or Loss

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB in millions)				
				(Unaudited)	
Revenue	**24,859.1**	**27,215.7**	**38,609.4**	**18,589.8**	**20,027.6**
Gross profit	**743.7**	**1,016.1**	**1,882.8**	**683.2**	**1,066.6**
Profit before tax from continuing operations	471.9	711.9	1,307.9	433.4	681.2
Profit for the year/period from continuing operations	359.4	543.0	1,050.7	328.5	472.9
(Loss)/profit for the year/period from discontinued operations	(8.1)	(132.8)	(237.1)	(28.6)	26.7
Profit for the year/period	**351.3**	**410.2**	**813.6**	**299.9**	**499.6**
Attributable to:					
Owners of the parent	358.5	406.2	768.2	283.7	503.2
Non-controlling interests	(7.2)	4.0	45.4	16.2	(3.6)

Summary Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Non-current assets	2,260.5	2,446.2	1,524.1	1,524.4
Current assets	41,016.7	49,696.5	59,882.9	54,099.3
Total assets	43,277.2	52,142.7	61,407.0	55,623.7
Current liabilities	40,045.3	48,481.5	57,777.1	51,155.2
Non-current liabilities	1,285.7	1,489.5	540.3	2,000.3
Total equity	1,946.2	2,171.7	3,089.6	2,468.2

Summary Consolidated Statements of Cash Flows

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB in millions)				
				(Unaudited)	
Net cash (used in)/generated from operating activities	(1,757.4)	1,141.2	2,261.6	1,049.8	(1,839.5)
Net cash (used in)/generated from investing activities	(222.8)	18.1	6.4	(73.8)	1,387.2
Net cash generated/(used in) from financing activities	2,044.1	(4.6)	138.4	(1,993.9)	(1,281.4)

Key Financial Ratios

	As of or for the year ended December 31,			As of or for the six months ended June 30,
	2014	**2015**	**2016**	**2017**
Adjusted gross profit margin	2.9%	3.1%	4.0%	5.3%
Adjusted net profit margin	1.4%	1.4%	1.8%	2.4%
Current ratio (times)	1.0	1.0	1.0	1.1
Quick ratio (times)	1.0	1.0	1.0	1.1
Gearing ratio	245.2%	251.9%	124.8%	152.7%
Net debt to equity ratio	107.0%	52.2%	Net Cash	Net Cash
Return on assets	0.9%	0.9%	1.4%	N/A
Return on equity	22.3%	19.9%	30.9%	N/A

Our business generally has small gross profit margins and net profit margins because the contracting business model is normally associated with high volumes and low margins. For more details about adjusted gross profit margin and net profit margin, see "Financial Information – Discontinued Operations and Non-IFRS Measures" beginning on page 250 of this prospectus. See "Financial Information – Financial Ratios" beginning on page 293 of this prospectus for the definition and analysis of these ratios.

CORPORATE STRUCTURE AND OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, our Company was held by Zhongru Investment and Qianbao Investment as to 92.5% and 7.5% of its share capital, respectively. Zhongru Investment was held by Qianbao Investment as to 43.63% of its equity interests, with the remaining 56.37% of its equity interests being held by 119 individuals who are employees of our Company and our predecessor and have respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings and all other rights of shareholders of Zhongru Investment. Qianbao Investment was held as to 90% by Mr. Li Baoyuan, the honorary Chairman and a non-executive Director of the Company, and 10% by Mr. Li Baozhong, the Chairman and an executive Director of the Company, respectively, since its establishment. Given that immediately after the completion of the Global Offering, Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment will continue to directly or indirectly control more than 30% of voting rights at the general meetings of the Company, Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment will continue to be our Controlling Shareholders upon the Listing. For more details, see "History, Reorganization and Corporate Structure" and "Relationship with Controlling Shareholders."

Mr. Li Baoyuan, apart from his interests in our Group, has also been engaged in certain businesses through Zhongru Investment and Qianbao Investment and their close associates. None of the Controlling Shareholders or its close associates is engaged in businesses which are similar to the core businesses of our Group. Each of the Controlling Shareholders has confirmed that none of them has any interest in a business which competes with, or is likely to compete with, our Group, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

In order to avoid any possible future competition between our Group and our Controlling Shareholder, each of the Controlling Shareholders has signed the Non-competition Undertaking (as defined in "Relationship with Controlling Shareholders") in favor of our Group and has undertaken that they will not engage or be involved in any business which directly or indirectly competes or may result in competition with our business.

We have entered into several continuing connected transactions with associates of our Controlling Shareholders, including the transactions contemplated under the Garden Engineering Subcontract Framework Agreement, the Property Leasing Framework Agreement, the Comprehensive Services Framework Agreement and the Labor Subcontract Framework Agreement, pursuant to which, we receive certain services or lease certain properties from associates of the Controlling Shareholders. In addition, we possess sufficient capital, property, equipment, operating facilities, technology, credit facilities and human resources to operate our business independently with full capacity and corporate power to make operational and financial decisions and implement such decisions. We believe that we are able to operate our business independently from our Controlling Shareholders after the completion of the Global Offering. For details, see "Connected Transactions" beginning on page 186 of this prospectus and "Relationship with Controlling Shareholders – Independence from Controlling Shareholders" beginning on page 234 of this prospectus.

RECENT DEVELOPMENTS

Benefiting from the increased urbanization resulting from favorable economic and industrial policies in China and accelerated infrastructure investment and transportation integration in the Beijing-Tianjin-Hebei Region, our business continued to grow after the Track Record Period, especially our infrastructure construction projects. As a result, our revenue and gross profit increased substantially in the four months ended October 31, 2017 compared to those in the same period in 2016. In addition, we intend to pay cash dividends of RMB500.0 million to our existing shareholders before our Listing. See "Financial Information – Dividend" beginning on page 296 of this prospectus.

Our Directors have confirmed, after performing all the due diligence work which the Directors consider appropriate, that, as of the date of this prospectus, there has been no material adverse change in our financial condition or prospects since June 30, 2017, being the date of our latest audited financial statements.

STATISTICS OF GLOBAL OFFERING

The numbers in the following table are based on the assumptions that (i) the Global Offering has been completed and 433,334,000 H Shares are issued and sold in the Global Offering, (ii) the Over-allotment Option is not exercised, and (iii) 1,733,334,000 Shares are issued following the completion of the Global Offering.

	Based on an Offer Price of HK$4.46 per H Share	**Based on an Offer Price of HK$5.36 per H Share**
Market capitalization of H Share after completion of the Global Offering	HK$1,932.7 million	HK$2,322.7 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders of the Company per Share[1]	HK$2.63	HK$2.85

(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

We estimate that we will receive net proceeds of HK$2,037.2 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$4.91 per Share, being the mid-point of the indicative Offer Price range. We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 40%, or HK$814.9 million, to be used to undertake the construction of certain construction contracting projects remain to be completed;

- Approximately 40%, or HK$814.9 million, to be used to fund our equity investment commitments under existing and future PPP projects;

- Approximately 10%, or HK$203.7 million, to be used to repay the principal of and interest on certain of our outstanding bank loans; and

- Approximately 10%, or HK$203.7 million, for general corporate purposes.

For more details, see "Future Plans and Use of Proceeds" beginning on page 301 of this prospectus.

DIVIDEND

In 2014, 2015, 2016, and the six months ended June 30, 2017, we declared and paid dividends of RMB304.0 million, RMB176.0 million, RMB14.9 million and RMB1,031.4 million, respectively. However, our historical dividends may not be indicative of future dividend payments. According to the resolution approved by our shareholders in November 2017, our existing shareholders are entitled to cash dividends of RMB500.0 million out of our retained earnings as of June 30, 2017. We intend to fully pay these cash dividends to our existing shareholders before our Listing using our available cash. Our accumulated undistributed profits from July 1, 2017 until the Global Offering will be shared among our existing shareholders and new shareholders. For more details, see "Financial Information – Dividend" beginning on page 296 of this prospectus.

LISTING EXPENSES

We estimate that our total listing expenses in relation to this Global Offering will be approximately RMB111.9 million (based on the midpoint of our indicative 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, of which a total amount of RMB76.2 million is directly attributable to the issue of our H Shares, and will be capitalized and amortized. The remaining RMB35.7 million have been or will be expensed for 2017. During the Track Record Period, we incurred listing expenses in relation to the Global Offering of RMB24.8 million. Our Directors do not expect such listing expenses to materially impact our results of operations for 2017.

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

"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 of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VI to this prospectus
"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Baoding SAAB"	Baoding State-owned Assets Administration Bureau (保定市國有資產管理局), whose duty as the investor of state-owned assets has been performed by Baoding SASAC as entrusted by the People's Government of Baoding since 2008
"Baoding SASAC"	Baoding State-owned Assets Supervision and Administration Commission (保定市國有資產監督管理委員會)
"Baoding Tianli"	Baoding Tianli Labor Service Co., Ltd. (保定天力勞務有限公司), a limited liability company incorporated in the PRC with limited liability on November 27, 2001, which is a subsidiary owned as to 75% by Zhongming Zhiye as of the Latest Practicable Date, thus our connected person
"Baoding Zhongcheng"	Baoding Zhongcheng Investment Management Co., Ltd. (保定中誠投資管理有限公司), a limited liability company incorporated in the PRC with limited liability on September 20, 2007, which is a subsidiary wholly owned by the Company as of the Latest Practicable Date
"Beijing-Tianjin-Hebei Region"	an economic region in China comprising Beijing, Tianjin, and Hebei Province
"Belt and Road Initiative"	a development strategy and framework, proposed by the PRC that focuses on connection and cooperation among countries primarily in Eurasia, which consists of the land-based "Silk Road Economic Belt" and oceangoing "Maritime Silk Road"
"Board" or "Board of Directors"	the board of Directors of our Company

"Board of Supervisors"	the board of Supervisors 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
"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
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"China" or "PRC"	the People's Republic of China, excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"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," "our Company" or "Hebei Construction"	Hebei Construction Group Corporation Limited, a joint stock company incorporated in the PRC with limited liability on April 7, 2017. Unless the context otherwise requires, it shall include its predecessor, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) (a limited liability company established under the laws of the PRC on September 29, 1997)

"Company Law" or "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 December 28, 2013 to take effective on March 1, 2014
"connected person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment
"CSDCC"	China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"Domestic Shares"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"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
"Frost & Sullivan"	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
"Global Offering"	the Hong Kong Public Offering and the International Offering
"**GREEN** Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider designated by our Company
"Group," "our Group," "we" or "us"	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require)

"H Shares"	overseas listed foreign shares in the share capital of our Company with a nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Tricor Investor Services Limited
"HCG Decoration Engineering"	Hebei Construction Group Decoration Engineering Co., Ltd. (河北建設集團裝飾工程有限公司), a limited liability company incorporated in the PRC on January 6, 1998, and our wholly-owned subsidiary as of the Latest Practicable Date
"HCG Garden Engineering"	Hebei Construction Group Garden Engineering Co., Ltd. (河北建設集團園林工程有限公司), a limited liability company incorporated in the PRC on December 26, 2006, which is a wholly-owned subsidiary of Zhongming Zhiye as of the Latest Practicable Date, thus our connected person
"HCG Installment Engineering"	Hebei Construction Group Installment Engineering Co., Ltd. (河北建設集團安裝工程有限公司), a limited liability company incorporated in the PRC on August 10, 2004, which was owned as to 61.11% and 38.89% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively, as of the Latest Practicable Date
"HCG Tianchen Construction Engineering"	Hebei Construction Group Tianchen Construction Engineering Co., Ltd. (河北建設集團天辰建築工程有限公司), a limited liability company incorporated in the PRC on December 26, 1997, which was owned as to 86.96% and 13.04% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively
"HCG Zhuocheng Road and Bridge Engineering"	Hebei Construction Group Zhuocheng Road and Bridge Engineering Co., Ltd. (河北建設集團卓誠路橋工程有限公司), a limited liability company incorporated in the PRC on January 6, 1998, and owned as to 95.24% and 4.76% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively, as of the Latest Practicable Date
"HK\$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"**HK eIPO White Form**"	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 **HK eIPO White Form** **www.hkeipo.hk**

"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company, as specified on the designated website at **www.hkeipo.hk**
"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 43,334,000 H 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 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 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 of the Global Offering – Hong Kong Public Offering"
"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 December 4, 2017 relating to the Hong Kong Public Offering and entered into by, among others, our Company and the Hong Kong Underwriters, as further described in "Underwriting – Underwriting Arrangements and Expenses"

"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 390,000,000 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 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 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 December 8, 2017 by, among others, our Company and the International Underwriters in respect of the International Offering, as further described in "Underwriting – International Offering"
"Joint Bookrunners"	China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, Zhongtai International Securities Limited, ABCI Capital Limited, CCB International Capital Limited and China Merchants Securities (HK) Co., Limited
"Joint Global Coordinators"	China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited and Zhongtai International Securities Limited
"Joint Lead Managers"	China International Capital Corporation Hong Kong Securities Limited, CMB International Capital Limited, Zhongtai International Securities Limited, ABCI Securities Company Limited, CCB International Capital Limited and China Merchants Securities (HK) Co., Limited

"Joint Representatives"	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited
"Joint Sponsors"	China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited
"Latest Practicable Date"	November 27, 2017, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or around December 15, 2017, 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 for construction quality excellence
"Macau"	the Macau Special Administrative Region of the PRC
"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
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which were promulgated by the former Securities Commission of the State Council (國務院證券委員會) and the former State Commission for Restructuring the Economic Systems (國家經濟體制改革委員會) on August 27, 1994
"Ministry of Finance" or "MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"Ministry of Land and Resources"	the Ministry of Land and Resources of the PRC (中華人民共和國國土資源部)
"MOC"	the former Ministry of Construction of the PRC (中華人民共和國建設部), the predecessor of the MOHURD

"MOFCOM"	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 the MOC
"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$5.36 and expected to be not less than HK$4.46, at which Hong Kong Offer Shares are to be subscribed, to be determined in the manner further described in "Structure of the Global Offering – Pricing of the Global Offering"
"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 Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 65,000,000 additional Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed "Structure of the Global Offering"
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles of PRC
"Price Determination Agreement"	the agreement to be entered into by the Joint Representatives (on behalf of the Hong Kong 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 December 8, 2017 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Representatives (on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event no later than December 14, 2017
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"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
"Qianbao Investment"	Qianbao Investment Co., Ltd. (乾寶投資有限責任公司) (previously known as Baoyuan Investment Co., Ltd. (寶元投資有限責任公司)), a company incorporated in the PRC on April 19, 2010 with limited liability. As of the Latest Practicable Date, Qianbao Investment directly or indirectly through Zhongru Investment held 100% equity interest of the Company in aggregate and is a Controlling Shareholder of our Company
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	The reorganization arrangements undergone by the Group in preparation for the Listing as described in "History, Reorganization and Corporate Structure"
"RMB" or "Renminbi"	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)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (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
"Shareholders(s)"	holder(s) of the Share(s)

"SME(s)"	small and medium enterprise(s)
"SOE(s)"	state-owned enterprise(s)
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994
"Stabilizing Manager"	China International Capital Corporation Hong Kong Securities Limited
"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Supervisor(s)"	member(s) of our Board of Supervisors
"Track Record Period"	for the years ended December 31, 2014, 2015, 2016, and the six months ended June 30, 2017
"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
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"**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

"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
"Zhongcheng Real Estate"	Zhongcheng Real Estate Development Co., Ltd. (中誠房地產開發股份有限公司), a limited liability company established in the PRC on August 4, 1992, and owned as to 90% and 10% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively, as of the Latest Practicable Date
"Zhongming Zhiye"	Zhongming Zhiye Co., Ltd. (中明置業有限公司), a company incorporated on December 1, 2016 with limited liability. After the Reorganization and as of the Latest Practicable Date, Zhongming Zhiye was owned as to 92.5% and 7.5% by Zhongru Investment and Qianbao Investment, the Controlling Shareholders of the Company, respectively. Hence, Zhongming Zhiye is our connected person
"Zhongru Investment"	Zhongru Investment Co., Ltd. (中儒投資股份有限公司) (previously known as Baoding Zhongyang Investment Co., Ltd. (保定中陽投資股份有限公司)), a joint stock company incorporated in the PRC on August 2, 2010. As of the Latest Practicable Date, Zhongru Investment directly held 92.5% equity interest of the Company and is a Controlling Shareholder of our Company

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

This glossary of technical terms contains explanations of certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"affordable housing projects"	government-sponsored projects aimed towards alleviating housing costs and expenses for people with low to moderate incomes
"BIM"	Building Information Modeling
"BOT"	Build-Operate-Transfer, a project model whereby, pursuant to a concession agreement entered into by an enterprise and the government, the government grants to the enterprise the rights to undertake the financing, design, construction, operation and certain of wastewater treatment or water supply facilities in a concession period, during which the enterprise can charge service fees based on the service to cover its costs of investment, operation and maintenance and obtain reasonable returns, while, upon the expiration of the concession period, the relevant facilities will be transferred back to the government at nil consideration
"CAGR"	compound annual growth rate
"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
"electrical and mechanical installation"	generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems

"EPC"	engineering, procurement and construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out such project work as survey, design, procurement, construction testing and commissioning of an engineering project, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and be responsible for the quality, safety, timely delivery and cost of the project
"general aviation"	flight activities not involving commercial air transportation or aerial work
"IT"	information technology
"m^2" or "sq.m."	square meters
"output value"	the total amount of pecuniary investment by project owners in a construction project (excluding land price and including other construction works subcontracted to other parties of the same construction project)
"PC"	procurement construction, a common form of contracting model whereby the contractor is commissioned by the project owner to carry out project work such as procurement, construction and trial operations, or any combination of the above, either through the contractor's own labor or by subcontracting part or all of the project work, and expected to be responsible for the quality, safety, timely delivery and cost of the project
"PPP"	public-private partnership, a partner relationship based on a framework agreement and formed between the government and private organizations for co-construction of infrastructure projects or providing certain public goods and services
"prefabricated component construction"	constructions assembled with prefabricated parts at sites, including, among others, prefabricated concrete component, prefabricated steel structure construction and prefabricated wooden structure construction
"Premium Grade Certificate"	Premium Grade Certificate for 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 General Construction Contractors (建築工程施工總承包企業特級資質標準)
"steel structure"	structural supporting elements comprising steel columns, girders and beams of a construction project
"VAT"	value-added tax

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 others, 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 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 the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;

- various business opportunities that we may pursue;
- macro-economic measures adopted by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

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

You should carefully read all of the information in this prospectus including the risks and uncertainties described below before making an investment in our H Shares. Our business, financial position or results of operations could be materially and adversely affected by any of the risks mentioned in this section. The trading price of our H Shares could decline due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC, our business is primarily located in China and we are governed by a legal and regulatory environment that may differ from that prevails in other countries and jurisdictions. For more information concerning China and certain related matters discussed below, see "Regulatory Environment," "Appendix V – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VI – Summary of Articles of Association" for further details.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and future growth are subject to macroeconomic conditions in China, particularly the Beijing-Tianjin-Hebei Region, and changes in government policies and market demand for our services, 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 Beijing-Tianjin-Hebei Region where our business is focused. Construction activities and infrastructure development in China are sensitive to economic fluctuations and market uncertainty, and are controlled or managed by the PRC government through its policy-making. For example, mainly due to the sustained urbanization process resulting from favorable economic and industrial policies and increased infrastructure investment and the accelerated transportation integration in the Beijing-Tianjin-Hebei Region, our revenue from construction contracting business increased substantially in 2016. However, our revenue may be adversely affected if the PRC economy experiences slower growth or enters into recession, or if construction spending is reduced, including any reduction in government infrastructure spending. In addition, as we derived a majority of our revenue from the Beijing-Tianjin-Hebei Region during the Track Record Period, our business is particularly susceptible to the macroeconomic conditions and government spending on public works construction in the region.

In addition, we are susceptible to adverse changes in government policies related to the PRC 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 regulation of private sector participation in the infrastructure industry. During the Track Record Period, the PRC government implemented various regulations and policies aimed to cool down the real estate 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 the PRC real estate industry, and in turn affect the number of construction projects available to us. We cannot assure you that the PRC government will not adopt additional industry-related policies in the future, which may have a material and adverse effect on our business, financial condition 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.

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

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

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

We have limited control over the experience, availability and cost of our subcontracted workers.

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

In addition, subcontracting affords us less control over the availability and cost of labor, which is an important factor in our ability to complete construction projects in a timely and cost-effective manner. In 2014, 2015, 2016, and the six months ended June 30, 2017, our labor cost was RMB5,072.6 million, RMB5,455.6 million, RMB8,335.8 million and RMB4,039.5 million, respectively, accounting for 21.0%, 20.7%, 22.2% and 21.3% of our adjusted cost of sales, respectively. During the Track Record Period, we did not experience any shortage of labor or any significant increase in labor cost 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 labor shortage or increased labor costs in the future, or that our project schedule or profitability will not be negatively affected as a result. If we experience a labor shortage, we may be forced to seek labor force from other labor subcontractors on short notice at higher cost, thereby lowering our profitability.

We may not be able to meet our significant working capital requirements if we experience significant increases in amounts due from contract customers, significant delays in our billing and settlement process, or significant delays or defaults in our trade and bills receivables, performance guarantees or retention fees.

Most of our construction contracting projects take a substantial period of time, usually six months to three years, to complete. Therefore, the contracts for our construction contracting business generally require our clients to make payments to us in installments upon our achieving certain project milestones or with regard to the portion of work completed, and the contracts for our construction business generally require our clients to make progress payments on a regular basis. See "Business – Construction Contracting Business – Contract Terms – Payment Schedule" for further details. Delays in or failure to make payment on the part of our clients or delays in our billing process may negatively influence our cash flow position and our ability to meet our working capital requirements. Although we did not encounter any major difficulties in collecting our contract fees or progress payments from our customers during the Track Record Period, we have, from time to time, experienced late payments from certain customers, resulting in unexpected increases in accounts receivables and cash outflows. If we are unable to collect our contract fees or amounts owed are not paid to us in full or on a timely basis, our cash flow and our financial condition will be adversely affected. In addition, we incur costs associated with a project, primarily materials, equipment and labor, on an ongoing basis, and quite frequently at the beginning of a project or before achieving relevant project milestones. In respect of the projects on which we have already incurred significant costs and expenditures, customers' defaults in making payments or a lapse in time between our receipt of timely scheduled payments from our customers and payments due to our suppliers could materially and adversely affect our results of operations and reduce our working capital.

In line with the market practice adopted in the construction industry in China, our incurred contract cost (plus recognized profit) for a construction project at a particular date, which is based on the percentage of completion of such project, is generally higher than the amount of our entitled progress billing, a reflection of the strong bargaining power of our customers when entering into the construction contracting contracts with us. Additionally, no more than 5% of the project value is typically withheld by our clients as retention fee against any possible defects in the quality of our work and will only be released after expiration of the defects liability period, which typically lasts one to two years after completion of a project. As a result, we are often required to bear some costs and expenditures for projects prior to receiving sufficient payment from our clients to cover such costs and expenditures. Furthermore, our clients generally require us to provide advance payment guarantees and performance guarantees to secure our contractual obligations. If our clients make demands on such guarantees, claiming that we have failed to perform our obligations (whether or not such claims are merited), or if our clients delay or refuse to repay retention funds, our liquidity could be materially and adversely affected in a direct or indirect way. For more details, see "Business – Construction Contracting Business – Contract Terms – Performance Guarantee" for further details. As a result, the balance of our amounts due from contract customers accounted for 58.7%, 51.6%, 46.3% and 49.6% of our total current assets as of December 31, 2014, 2015, 2016, and June 30, 2017, respectively. As of October 31, 2017, RMB20,938.7 million, RMB18,669.3 million, RMB12,673.3 million and RMB6,218.1 million of our amounts due from contract customers as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively, were subsequently billed to our customers in accordance with the terms of our construction contracting contracts, representing 86.9%,72.8%,45.7% and 23.2% of our amounts due from contract customers as of the same dates, respectively. The current portion of our trade and bills receivables was RMB6,126.0 million, RMB9,798.8 million, RMB10,777.4 million and RMB10,684.6 million as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively, representing 14.9%, 19.7%, 18.0% and 19.7% of our total current assets, respectively. As of December 31, 2014, 2015, 2016 and June 30, 2017, the provision for impairment of trade and bills receivables was RMB279.7 million, RMB327.3 million, RMB434.5 million and RMB509.1 million, respectively, accounting for 4.0%, 3.1%, 3.7% and 4.4% of our trade and bills receivables, respectively. For more information on our trade and bills receivables, see "Financial Information – Liquidity and Capital Resources – Trade and Bills Receivables." Any default in payments of receivables and progress payments or delays in payments of retention funds owed to us or any unilateral demands on performance and quality guarantees by our clients may lead to a decrease of working capital available for our other operations. While we may file claims against clients for uncompensated costs we have incurred pursuant to our contracts, dispute resolutions may require significant time, financial and other resources, and the outcome is often uncertain.

In addition, we face the risk that our clients may be unable to perform their contractual obligations to us due to their failure to obtain sufficient funding for project development, general financial difficulties or other reasons. When our clients require bank financing for construction contracting services, the availability and terms of financing in the market will have a significant influence on clients' demand for our services. To the extent there is instability in the credit markets, the availability of credit may be limited and it may be difficult or expensive to obtain financing. This situation could negatively impact our clients' ability to fund their projects and purchase our services. Accordingly, if our clients are unable to obtain financing in a timely manner or at a reasonable cost, the relevant projects may be adversely affected, and our financial performance and prospects may be materially and adversely affected.

We also routinely enter into contracts with counterparties, including vendors, suppliers and subcontractors, that may be negatively impacted by the credit market. If those counterparties are unable to perform their obligations to us or our clients, we may be required to provide additional services or make alternate arrangements on less favorable terms with other parties to ensure adequate performance and delivery of services to our clients. Moreover, we may be subject to disputes brought by clients, subcontractors or suppliers that seek to avoid payment to us of costs exceeding forecasted expenditures or who deny their obligation to perform certain duties under their contracts with us. These circumstances could also lead to disputes and litigation with our clients or other contractual counterparties, which could have a material adverse impact on our reputation, business, financial condition and results of operations.

PPP projects typically require significant cash outlays and feature long payback periods and we may require substantial funding for these projects.

In recent years, the PRC government has encouraged the development of the PPP model whereby private enterprises partner with local governments in the financing, construction, operation and maintenance of infrastructure projects and other public works. As of June 30, 2017, we have invested in ten PPP projects, with an aggregate project value of RMB8,478.8 million. As part of our business strategy, we intend to participate in more PPP projects to enhance our profit margins and market position. We expect to use approximately 40% of the net proceeds from this Global Offering to fund these projects. For details, see "Business – Construction Contracting Business – Public-Private Partnership" and "Future Plans and Use of Proceeds."

For our PPP projects, we undertake, or jointly undertake with the government, the financing, construction, operation and maintenance of the project. As a result, if we are not able to accurately project the revenue to be derived from the use of the constructed facility at the bidding stage or are exposed to prolonged fluctuating economic conditions, our PPP projects may not be as profitable as anticipated. In addition, PPP projects typically require us to make significant initial investment using our own cash and external financing during the construction phase. Such investment features a long payback period, usually from 10 to 20 years. Due to the capital intensive and long-term nature of PPP projects, there is no assurance that we will be able to secure adequate funding on terms that are acceptable to us or at all or that these projects will achieve their initial expected returns. Our ability to arrange for external financing and the cost of such financing are dependent on various factors, including general economic conditions, interest rates and credit availability from PRC banks. If we fail to obtain short-term or long-term project financing for such projects in the amount budgeted or at all, we may need to finance these projects from our internal resources, which may put a strain on our resources for developing or acquiring other projects and for other corporate purposes. Additionally, we may fail to properly perform our obligations in respect of these projects as a result of a funding shortage, and this may lead to a reduction in our returns and to the loss of part of our initial capital investment. This may also have a material adverse effect on our business, financial condition and results of operations.

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

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, 2016, there were over 80,000 construction contracting companies in China, including approximately 6,500 in the Beijing-Tianjin-Hebei Region. 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 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, a 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.

Projects we construct may not be completed on time.

Several factors may lead to material construction delays or a cost overruns, including but not limited to:

- failure to obtain various regulatory approvals, licenses or permits from government agencies as scheduled;
- suspension of the construction of certain outdoor projects ordered by authorities during severe air pollution;
- delivery delays caused by shortages of key equipment, materials or labor;
- quality problems with equipment;
- unexpected engineering, design, environmental or geological problems;
- influence of unexpected adverse weather; and
- failure to obtain sufficient bank loans or other financing on favorable terms, or at all.

We cannot assure you that the construction of our projects can be completed on time. Any failure or delay during the construction of a project could result in a delay or a reduction in payment by the project owners to us and have a material and 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.

We may have difficulty in managing our future growth.

Our profit for the year increased at a CAGR of 52.2% from 2014 to 2016. 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;
- developing comprehensive capacities of our management team;
- training, motivating and managing our employees;
- maintaining adequate facilities and equipment;
- 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; and
- managing our international business in terms of our exposure to foreign economic and political uncertainties, including but not limited to expropriation and nationalization of our assets; civil unrest, acts of terrorism, war, or other armed conflicts; natural disasters, including those related to earthquakes and flooding; or governmental actions or policies that limit or disrupt markets.

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.

Backlog is subject to unexpected adjustments and cancellations 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. For further details, see "Business – Construction Contracting Business – Backlog and New Contract Value – Backlog." As of June 30, 2017, our aggregate backlog for our building construction business, infrastructure construction business, and specialized and other construction contracting business for the periods indicated was approximately RMB59,589.3 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.

Inaccurate estimates in applying percentage-of-completion accounting for our 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 percentage-of-completion method to recognize and account for the turnover derived from our engineering and construction contracting business. During the Track Record Period, in determining the percentage-of-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 turnover may differ materially from the timing of our actual receipt of contract payments. The timing of our recognition of turnover and the amount of turnover recognized are affected by our ability to reliably measure the percentage-of-completion, 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 turnover and the amount of turnover recognized. Where our expectation related to turnover 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 turnover may adversely affect our results of operations.

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

Some of our contracts, particularly PPP project, 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. 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 borrowing levels and significant interest payment obligations could limit the amount of funding available for our business operations.

We fund the working capital requirement for our business operations and capital expenditure mainly through cash generated from our operations and interest-bearing bank and other borrowings. As of December 31, 2014, 2015, 2016, and June 30, 2017, our interest-bearing bank and other borrowings amounted to RMB4,772.5 million, RMB5,471.5 million, RMB3,856.5 million and RMB3,769.5 million, respectively. See "Financial Information – Indebtedness" for further details. We cannot assure you that we will be able to renew existing borrowings upon expiry, or secure new borrowings from banks or other financial institutions, whether on commercially acceptable terms or not. If the banks and other financial institutions providing such existing borrowings do not continue to extend similar or more favorable facilities to us and we fail to obtain alternative borrowings on comparable terms or at all, our business will be adversely affected.

In addition, the degree to which we are leveraged could have significant consequences, including: (i) requiring a substantial portion of our cash flows from operations to be used for servicing our debt, thereby reducing the cash flow for working capital, capital expenditures or other general corporate uses; (ii) increasing our exposure to interest rate fluctuations; (iii) limiting our ability to obtain, and increasing the cost of, additional financing to fund future working capital, capital expenditures or general corporate uses; and (iv) limiting (to the extent our loan agreements contain such covenants) our ability to pay dividends, sell assets and make intergroup transfers, which may limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate.

In addition, we often have to provide performance guarantees in favor of clients to secure our obligations under contracts. Availability of performance guarantees depends on various factors, including our capitalization, working capital, existing level of borrowings, track record, management expertise and external factors such as the financial institutions' evaluation of our credit, overall market conditions and the overall financial capacity of financial institutions, some of which are beyond our control. If there is any deterioration in the foregoing, we may not be able to continue obtaining new performance guarantees in sufficient quantities to meet our business requirements. If our financial position deteriorates, we may also be required to provide cash collateral or other security to maintain existing performance guarantees. If this occurs, our ability to perform our projects may be adversely affected.

Our operating results may be significantly affected by changes in the prices and availability of 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 2014, 2015, 2016, and the six months ended June 30, 2017, raw materials accounted for 57.2%, 56.4%, 52.9% and 54.1% of our adjusted total cost of sales, respectively. Raw materials prices depend on a variety of factors beyond our control, including global financial conditions, the PRC economy and related government policies. We cannot guarantee that the prices of our raw materials will not rise from current levels and that our cost of sales will not increase. If we are unable to purchase any of our raw materials on terms acceptable to us or if we are not able to pass on such price increases to our customers, our profit margins may decrease and our results of operations may be materially and adversely affected.

Further, we typically procure our principal raw materials from a list of qualified suppliers, all of whom were domestic companies. In the event of an overall increase in market demand for such materials, we cannot guarantee that we will be able to obtain our principal raw materials from our qualified suppliers in necessary amounts and in a timely manner. If our supplies are disrupted, or if one or more of our current suppliers are unable to meet our requirements for any reason, we may incur substantial costs and delays in our operations. Although we believe that alternative suppliers for our raw materials are readily available, any unanticipated supply interruptions may have an adverse effect on our business, financial position and results of operations.

Any material discrepancies between the estimated costs and the actual costs ultimately incurred may materially and adversely affect our financial condition and results of operations.

Certain of our contracts are fixed-price contracts, which we estimate based on a cost analysis before we enter into contracts with our customers. The bidding, contract negotiation and construction process of our construction projects limit our ability to accurately predict costs at the outset. Our contract terms therefore expose us to cost overruns as a result of factors beyond our control, including variations in labor and equipment productivity, price fluctuations of raw materials and unforeseen project conditions. The occurrence of any of such factors may result in inaccurate cost estimates, lower profits or even a loss despite any buffers we may have built into the contract value to safeguard against cost increases. Some of our contracts may have a price adjustment clause, allowing us to adjust the contract value for additional costs incurred due to a significant increase in our costs as a result of certain circumstances. In such cases, we are typically required to cover a portion of the increased costs.

If our estimated costs are lower than our actual costs, or if the price adjustment does not cover our increased costs, our business, financial condition and results of operations may be materially and adversely affected.

We may incur costs in relation to warranties offered to our customers.

We may incur costs in relation to warranties offered to our customers. In a majority of our construction contracts, the defects liability period is two years, depending on the type of construction services provided. Retention fees retained by our customers are generally no more than 5% of the settlement amount calculated upon completion and acceptance of the construction projects payable to us. The warranty arrangement requires these retention fees to be returned to us in installments during the defects liability period if no major quality issues arise during the relevant period. During the Track Record Period, we collected substantially all 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 recover all or any of the amounts retained by customers for warranty purposes in the future. If we are unable to recover a significant proportion of the amounts retained by our customers as warranties, our future business, financial condition and results of operations may be materially and adversely affected.

We had net operating cash outflows in 2014 and the six months ended June 30, 2017, and we may have difficulty meeting our payment obligations if we continue to record net operating cash outflows in the future.

We operate a capital-intensive business. In 2014 and the six months ended June 30, 2017, we recorded net cash used in operating activities of RMB1,757.4 million and RMB1,839.5 million, respectively. For further information about cash outflow from operating activities, see "Financial Information – Liquidity and Capital Resources – Cash Flow – Net Cash (Used in)/Generated from Operating Activities." We cannot guarantee that we will not experience net operating cash outflows in the future. Moreover, our operating cash flows may be adversely affected by a number of factors beyond our control, including but not limited to, market competition and the macroeconomic environment. Our future liquidity, the payment of trade and bills payables, prepayments, deposits and other receivables, and repayment of any debt obligations, as they become due, will primarily depend on our ability to maintain adequate cash inflows from operating activities. If we are unable to maintain adequate cash inflows from operating activities, we may default on our payment obligations, which may materially and adversely affect our business, financial position and results of operations.

We do not possess valid title or rights to certain properties that we occupy.

For some of the land and buildings we occupy, we, or our landlords, have not yet obtained valid title certificates that allow us to freely use or transfer the properties that we occupy or lease. See "Business – Properties" for details of our property defects.

We cannot predict how our rights as owner or lessee of these properties and our business, results of operations and financial position may be materially and adversely affected as a result of the absence of legal title to these properties or rights to lease these properties. We cannot assure you that ownership disputes or claims will not occur or that third parties will not assert any claims against us for compensation in respect of any illegal and/or authorized use of their land or buildings.

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. 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.

We need to comply with the relevant laws and regulations or maintain the relevant licenses, certificates or permits.

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 construction industry 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 may also be subject to the risk of penalty due to landlord violations. For more information about our certain non-compliance with relevant laws and regulations during the Track Record Period, see "Business – Legal and Regulatory – Non-compliance Incidents."

We operate heavily regulated businesses that require us to obtain, maintain and renew a number of licenses, qualifications and permits. 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 may be involved in claims and litigations in our ordinary course of business.

We may be involved in claims and litigation 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. For details on outstanding legal proceedings, see "Business – Legal and Regulatory – Legal Proceedings." 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.

Our deferred tax assets are subject to accounting uncertainties.

In the application of our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates. As of December 31, 2014, 2015, 2016, and June 30, 2017, we recognized deferred tax assets of RMB146.9 million, RMB154.6 million, RMB278.8 million and RMB280.9 million, respectively. Based on our accounting policies, deferred tax assets are recognized in case of timing differences between the carrying amount of assets for financial reporting purpose and the amounts used for taxation purposes. The realization of a deferred tax asset mainly depends on our management's judgment as to whether sufficient future profits or taxable temporary differences will be available in the future. Management's assessment is continuously reviewed and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered. If sufficient profits or taxable temporary differences are not expected to be generated or are less than expected, a material reversal of deferred tax assets may arise in future periods.

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, and 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 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, 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.

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 June 30, 2017, we also owned 138 patents and six domain name in China. As of the same date, we had 30 patent applications and 20 trademark applications under review in China, as well as two trademark applications under review in Hong Kong. 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 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 and our ability to continue to attract, retain and motivate key personnel. We compete with other regional and national construction contracting 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. 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, Supervisors 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.

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

Bribery and other misconduct including, among others, 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. Although we are increasing our efforts to detect and prevent the misconduct of employees and third parties, 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 into overseas jurisdictions, and our internal control system may not be effective in preventing the occurrence of 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 and results of operations.

Property development operations are subject to the influence of macro-economic control measures and intense competition.

Social, political, economic, legal and other factors will continue to affect the development of the real estate sector in China. A significant downturn in China's economy could adversely affect demand in the real estate sector. The PRC government from time to time implements macro-economic control measures to ensure the orderly development of the real estate sector. Recently, the sector has been a key area of China's macro-economic control, with a large number of policy instruments directed toward the industry. The control measures implemented by the PRC government will affect to a certain extent the operation of our property development business by making the development of real estate projects more difficult.

In addition, our property development operations are smaller in scale compared to those of our competitors in China, many of whom possess greater financial resources and experience and enjoy greater economies of scale and broader brand recognition. We cannot assure you that our property development operations will be successful, considering the intensely competitive environment in China.

The success of our property development business is dependent, among other things, on whether the PRC real estate sector can sustain positive performance. Demand for residential and commercial properties in China has grown rapidly in recent years, but such growth is often coupled with volatility in market conditions and fluctuations in property prices. It is not possible to predict whether demand for real property in China will continue to grow in the future, as many social, political, economic, legal and other factors may affect the development of the property market. In addition, interest rate increases in China implemented by the PBOC have a direct impact on the demand for property, and thus on the property development industry. A rise in interest rates could adversely affect the affordability and attractiveness of mortgage financing to potential purchasers of our properties. As a result, the demand for our property development projects may be negatively affected.

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

Property development is a long and complicated process, generally requiring large amounts of capital and involving numerous parties. In addition, to develop and complete a property development, a real estate 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 delays in obtaining necessary licenses, permits, certificates or approvals from governmental agencies or authorities, shortage of materials, equipment, contractors and skilled labor, labor disputes, construction accidents, natural catastrophes, adverse weather conditions, severe air pollution, and changes in government policies.

Construction delays or failure to complete construction 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. For example, because of our late delivery of a residential property development project, we paid approximately RMB68.0 million in compensation to our property customers in 2016. For details, see "Financial Information – Factors Affecting Our Results of Operations – 2016 Compared to 2015 – Other Expenses." We cannot assure you that we will not experience any significant delays in completion or delivery of any of our property development projects or that we will not be subject to any liabilities for any such delays. Claims that we have failed to complete 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 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 may use pre-sale proceeds only to finance the development project where the pre-sold properties are located. 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 development, in which case we may be liable to purchasers for their losses. We cannot assure you that these losses will not exceed any deposits have been secured in respect of the pre-sold properties. 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.

The regulatory authorities in China 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 deadline 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. 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 over 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.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our properties as of September 30, 2017 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the independent property valuer, are set forth in the Property Valuation Report in Appendix III to this prospectus. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value. Unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our properties.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

The PRC economic, political and social conditions, as well as government policies, could materially and adversely affect our business, financial position, results of operations and prospects.

Since most of our revenue is derived from our operations in the PRC, our business, financial position, results of operations and prospects are, to a great extent, subject to PRC economic, political and legal developments. The PRC government exerts substantial control over the growth of the domestic economy by means of resource allocation, setting policy on foreign exchange and payment of debts denominated in foreign currencies, setting monetary policy, and giving preferential treatment to specific industries or companies. In recent years, the PRC government has implemented market-oriented reforms. Such economic reform measures could be adjusted or revised and may differ between industries or various regions in the PRC. As such, we may not benefit from such measures.

China has been one of the fastest-growing economies in the world in recent years, in terms of GDP. However, China may not be able to sustain such growth rate, and growth rates in recent periods have been lower than previously. In order to maintain economic growth in China, the PRC government has taken, and may continue to implement, a range of monetary policies and other economic measures to increase investment in infrastructure projects, improve the liquidity of the credit markets and encourage employment. There can, however, be no assurance that such monetary policies or economic measures will be successful. If there is a reduced rate of growth or even a recession in the PRC economy, there may be fewer projects that we can acquire or invest in, our interest expenses may increase, or we may face reduced access to credit facilities. Such changes in the PRC economy and relevant markets in the future may materially and adversely affect our business, financial position and results of operations.

The interpretation and enforcement of PRC laws and regulations involves significant uncertainties and PRC laws differ from the laws of common law jurisdictions.

As we are a company incorporated under PRC law and most of our businesses are conducted in China, our operations are principally governed by PRC laws and regulations. The PRC legal system is based on written statutes, and prior court decisions can only be cited as references. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new, and due to the limited number of published cases and judicial interpretations and their lack of precedential value, interpretation and enforcement of these laws and regulations involve significant uncertainties.

Furthermore, certain important aspects of PRC corporate law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to: investor protection, such as shareholder class action suits and measures protecting non-controlling shareholders; restrictions on directors; disclosure requirements; different rights of classes of shareholders; general meeting procedures and disbursement of dividends. Our Articles of Association include provisions in accordance with the Hong Kong Listing Rules. However, such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions.

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

Currently, the Renminbi cannot be freely converted into any foreign currency, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC 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 SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to conduct foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE.

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

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

We are a company incorporated under the laws of the PRC and most of our assets and our subsidiaries are located within the PRC. Most of our Directors, Supervisors and senior management reside within the PRC. Most of the assets of these Directors, Supervisors and senior management may also be located within the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon most of our Directors, Supervisors and senior management. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in the PRC or Hong Kong, recognition and enforcement of court judgments from those jurisdictions mentioned above may be difficult or impossible in relation to any matter that is not subject to a binding arbitration provision.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》). Under this arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of actions brought under the arrangement remain uncertain.

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

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

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

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

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

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

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

Payment of dividends may be subject to restrictions under PRC law.

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

Moreover, as 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 subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows 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.

RISK RELATING TO THE GLOBAL OFFERING

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

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

- variations in our operating results or differences between our operating results and those anticipated by investors and analysts;

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

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

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

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

Future sales or a major divestment of Shares by any of our Shareholders could materially and adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by any one of our Shareholders could materially and adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although the Controlling Shareholder and cornerstone investors have agreed to a lock-up of their Shares, any major disposal of our Shares by any of such Controlling Shareholder and cornerstone investors upon expiry of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

Potential conversion of Domestic Shares into H Shares may result in an increase in the number of H Shares available in the market, which in turn may affect the price of H Shares.

Subject to approval by the CSRC, Domestic Shares may be listed or traded on an overseas securities exchange. Any listing or trading of the abovementioned Shares on an overseas securities exchange shall also comply with the regulatory procedures, rules and requirements of the relevant overseas securities exchange. Unless otherwise required by the overseas securities exchange, there is no requirement for the listing and trading of the above-mentioned Shares to be approved in a class meeting of our Company. For details, see "Share Capital – Conversion of Our Unlisted Shares into H Shares." Potential conversion of a substantial amount of Domestic Shares into H Shares could further increase the supply of H Shares in the market and could have a material and adverse impact on the market price of H Shares.

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

A declaration of dividends is proposed by our Board of Directors and the amount of any dividends depends on various factors, including, without limitation, our results of operations, financial position, future prospects and other factors which our Board of Directors may deem important. Accordingly, our historical dividend distributions are not indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as a reference or basis upon which future dividends are determined.

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

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

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Investors will pay a price per Share that substantially exceeds the per Share value of the tangible assets after subtracting the total liabilities, and will therefore experience immediate dilution when they purchase the Shares in the Global Offering. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the Global Offering, investors purchasing Shares in the Global Offering would receive less than they paid for their Shares. See "Appendix II – Unaudited Pro Forma Financial Information."

You should read the entire prospectus carefully and we strongly caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering.

There has been coverage in the media regarding the Global Offering and our operations. We do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this prospectus. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

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

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

We have entered into certain transaction and expect to continue such transaction after the Listing, which would constitute non-exempt continuing connected transaction under the Listing Rules after the Listing. Pursuant to Chapter 14A of the Listing Rules, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the rules regarding the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules for such non-exempt continuing connected transaction. Further details of such non-exempt continuing connected transaction and the waiver, see "Connected Transactions".

MANAGEMENT PRESENCE

According to Rules 8.12 and 19A.15 of the Listing Rules, the Company 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. Since our head office and substantially all of our business operations are based, managed and conducted in the PRC, our Company does not, and for the foreseeable future, will not, have executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules. Currently, all of the executive Directors of our Company reside in the PRC.

Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules. Our Company has made the following arrangements to maintain effective communication between the Stock Exchange and us:

(i) Ms. Shen Lifeng (申麗鳳), our authorized representative and independent non-executive Director, and Ms. Wong Wai Ling (黃慧玲), our authorized representative and joint company secretary, are both Hong Kong residents and will act as the Company's principal channel of communication with the Stock Exchange. Accordingly, the authorized representatives of the Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice;

(ii) both of the authorized representatives of the Company have means of contacting all Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange proposes to contact a Director with respect to any matter;

(iii) each Director has provided his/her mobile phone number, office phone number, fax number and e-mail address to the authorized representatives of the Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives;

(iv) each of the Directors of the Company not ordinarily residing in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period; and

(v) our Company has appointed Central China International Capital Limited as the compliance advisor of the Company, who will also act as an additional channel of communication with the Stock Exchange from the Listing Date to the date when our Company dispatches the annual reports to the Shareholders for the first full financial year immediately after the Listing of the H Shares of the Company. Central China International Capital Limited will maintain constant contact with the authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Rule 8.17

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

Rule 3.28

According to Rule 3.28 of the Listing Rules, the secretary of the Company must be a person 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 company secretary. 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).

In assessing “relevant experience,” the Stock Exchange will consider:

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

(b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Future Ordinance, the Companies Ordinance, and the Codes on Takeovers and Mergers and Share Buy-backs;

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

(d) professional qualifications in other jurisdictions.

Our Company has appointed Mr. Li Wutie (李武鐵) as a joint company secretary. Mr. Li Wutie has substantial experience in handling corporate, legal and regulatory compliance and administrative matters relating to our Company. Mr. Li Wutie is currently a joint company secretary, the secretary of the Board and an assistant to President of the Company. He is responsible for, among others, information disclosures, investor relations and other corporate governance affairs of the Company. Mr. Li Wutie joined our Company in July 2013 and has a thorough understanding of the operations of the Board and our Company. Since Mr. Li Wutie does not possess the professional or academic qualifications as stipulated in Rule 3.28 of the Listing Rules, our Company has appointed Ms. Wong Wai Ling, an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom, as joint company secretary. Over a period of three years from the Listing Date, our Company proposes to implement the following measures to assist Mr. Li Wutie to become a company secretary with the requisite qualifications or relevant experience as required under the Listing Rules:

Mr. Li Wutie will endeavor to attend relevant training courses, including briefings on the latest changes to the relevant applicable Hong Kong laws and regulations and the Listing Rules which will be organized by the Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Stock Exchange for listed issuers from time to time.

Ms. Wong Wai Ling will assist Mr. Li Wutie to enable him to acquire the relevant experience (as required under Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as the company secretary of the Company.

Ms. Wong Wai Ling will communicate regularly with Mr. Li Wutie on matters relating to corporate governance, the Listing Rules and any other laws and regulations which are relevant to the Company and its affairs. Ms. Wong Wai Ling will work closely with, and provide assistance for, Mr. Li Wutie in the discharge of his duties as a company secretary, including organizing the Company's Board meetings and Shareholders' general meetings.

The appointment of Mr. Li Wutie has an initial period of three years commencing from the Listing Date on condition that Mr. Li Wutie will be assisted by Ms. Wong Wai Ling.

Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Provided that Mr. Li Wutie has obtained relevant experience under Rule 3.28 of the Listing Rules before the end of the initial three-year period of the above arrangement, the above assistance arrangement will no longer be required by the Company.

DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

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

PRC REGULATORY APPROVALS

We have obtained the approval from the CSRC on November 13, 2017 for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange. In granting such consent, the CSRC accepts no responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

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 related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus 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, the Underwriters, any of their respective directors, officers, employees, advisors, agents or representatives or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, see "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" and the relevant Application Forms.

Neither the delivery of this prospectus nor any subscription or purchase made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it remains correct as of any subsequent time.

UNDERWRITING

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. 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 between us and the Joint Representatives (for themselves and on behalf of the Underwriters). The International Offering is expected to be fully underwritten by the International Underwriters. For further details about the Underwriters and the underwriting arrangements, see "Underwriting".

If, for any reason, the Offer Price is not agreed between the Company and the Joint Representatives (for themselves and on behalf of the Underwriters) on or before December 14, 2017, or such later date or time as may be agreed between the Company and the Joint Representatives (for themselves and on behalf of the Underwriters), the Global Offering will not proceed. Further details of the Underwriters and the underwriting arrangements are set out in "Underwriting."

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person subscribing for the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or by his/her subscription of Hong Kong Offer Shares be deemed to confirm, that he/she is aware of the restrictions on the offering and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus and/or the related Application Forms 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/or the related Application Forms 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. In particular, no public offering or sale of H Shares is being made, directly or indirectly, in China or the U.S.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in, the Offer Shares to be issued (including any additional Offer Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering.

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on December 15, 2017. Save as disclosed in the prospectus, no part of our Shares is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them, you should consult an expert. It is emphasized that none of us, the Joint Representatives, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, advisors, agents or representatives nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them.

STABILIZATION AND OVER-ALLOTMENT

For details of stabilization and the Over-allotment Option, please see "Structure of the Global Offering".

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Tricor Investor Services Limited. Our principal register of members will be maintained by us at our headquarter in the PRC.

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

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

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

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

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

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

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

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made by us for the H Shares to be admitted into CCASS.

CURRENCY TRANSLATIONS

Solely for your convenience, this prospectus contains translations of certain Renminbi and U.S. dollars amounts into Hong Kong Dollars at specified rates. No representation is made that the amounts denominated in one currency could actually be converted into another currency at the rates indicated or at all.

Unless otherwise specified and for the purpose of illustration only, the translations of Renminbi into Hong Kong dollars, Renminbi into US dollars and Hong Kong dollars into US dollars have been made at the following rates:

HK$1.0000: RMB0.84377 (set by the PBOC for foreign exchange transactions prevailing on November 27, 2017)

HK$7.8087: US$1.0000 (the noon buying rate in effect on November 24, 2017 as set forth in the H.10 weekly statistical release of the Board of Governors of the Federal Reserve System of the United States)

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

ENTITY NAMES

If there is any inconsistency between the Chinese names of entities established in the PRC and their English translations, the Chinese names shall prevail. The English translation of names of entities in Chinese or another language which are marked with "*" and the Chinese translation of names of entities in English which are marked with "*" is for identification purposes only.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Li Baozhong (李寶忠)	No.3, Building 9 2188 Yangguang North Street Jingxiu District Baoding, Hebei Province PRC	Chinese
Mr. Shang Jinfeng (商金峰)	Room 701, Unit 1, Building 14 1322 Hengxiang North Street Lianchi District Baoding, Hebei Province PRC	Chinese
Ms. Liu Shuzhen (劉淑珍)	No.9, Row 6 329 Wusi West Road Jingxiu District Baoding, Hebei Province PRC	Chinese
Mr. Liu Yongjian (劉永建)	Room 302, Unit 4, Building 2 Yangguangjiayuan Jingxiu District Baoding, Hebei Province PRC	Chinese
Non-executive Directors		
Mr. Li Baoyuan (李寶元)	No.2, Building 9, Gelinmandu Jingxiu District Baoding, Hebei Province PRC	Chinese
Mr. Cao Qingshe (曹清社)	Room 201, Unit 1, Building 32 Hebei Jianshe Jiayuan 329 Wusi West Road Jingxiu District Baoding, Hebei Province PRC	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Mr. Xiao Xuwen (肖緒文)	Room 1102, No.35, Lane 2885 Jinxiu Road Pudong New Area Shanghai PRC	Chinese
Ms. Shen Lifeng (申麗鳳)	Room B, 23/F, The H Bonaire 68 Ap Lei Chau Main Street Hong Kong Island Hong Kong	Chinese
Ms. Chen Xin (陳欣)	Flat C, 18/F., Tower 2 The Orchards, 3 Grieg Road Quarry Bay Hong Kong	Chinese
Mr. Chan Ngai Sang Kenny (陳毅生)	A1 Jade View Villa 20 Tsing Tai Road Tuen Mun Hong Kong	Chinese

SUPERVISORS

Name	Address	Nationality
Mr. Mao Yuanli (毛元利)	No.102, Unit 2, Building 22 329 Wusi West Road Jingxiu District Baoding, Hebei Province PRC	Chinese
Mr. Liu Jingqiao (劉景喬)	No.203, Unit 4, Building 10 Shengjian Street Jingxiu District Baoding, Hebei Province PRC	Chinese
Ms. Feng Xiujian (馮秀健)	No.102, Unit 2, Building 39 Xiangyangjiayuan Dehui Road Jingxiu District Baoding, Hebei Province PRC	Chinese
Mr. Yue Jianming (岳建明)	5 Tianwei Road, Jingxiu District, Baoding, Hebei Province PRC	Chinese
Mr. Wang Feng (王豐)	8 Xiaoche Village Jingxiu District Baoding, Hebei Province PRC	Chinese

See "Directors, Supervisors and Senior Management" for details of our Directors and Supervisors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
Joint Global Coordinators	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong
	Zhongtai International Securities Limited 7th Floor, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Joint Bookrunners	**China International Capital Corporation Hong Kong Securities Limited** 29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
	CMB International Capital Limited 45th Floor, Champion Tower 3 Garden Road Central Hong Kong

Zhongtai International Securities Limited
7th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

ABCI Capital Limited
10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F One Exchange Square
Central
Hong Kong

Joint Lead Managers

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

Zhongtai International Securities Limited
7th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower,
50 Connaught Road Central
Hong Kong

	CCB International Capital Limited 12/F., CCB Tower 3 Connaught Road Central Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F One Exchange Square Central Hong Kong
Legal Advisors to our Company	*As to Hong Kong and U.S. laws* **Clifford Chance** 27/F, Jardine House One Connaught Place Central Hong Kong
	As to PRC law **Jia Yuan Law Offices** F408, Ocean Plaza 158 Fuxing Men Nei Street Xicheng District Beijing PRC
Legal Advisors to the Underwriters and the Joint Sponsors	*As to Hong Kong and U.S. laws* **Freshfields Bruckhaus Deringer** 55th Floor, One Island East Taikoo Place, Quarry Bay Hong Kong
	As to PRC law **Grandall Law Firm (Beijing)** 9th Floor, Taikang Finance Tower 38 North Road East Third Ring, Chaoyang District Beijing PRC
Compliance Advisor	**Central China International Capital Limited** Suites 1505-1508, Two Exchange Square 8 Connaught Place Central Hong Kong

Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* 22nd Floor, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 6/F Three Pacific Place 1 Queen's Road East Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B 500 Yunjin Road Xuhui District, Shanghai PRC
Receiving Banks	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong **Wing Lung Bank Limited** Wing Lung Bank Building 45 Des Voeux Road Central Hong Kong

Registered office	125 Lugang Road Jingxiu District Baoding, Hebei Province PRC
Headquarters	125 Lugang Road Jingxiu District Baoding, Hebei Province PRC
Principal place of business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Website of the Company	http://www.hebjs.com.cn *(Information on this website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Li Wutie (李武鐵) No.2, Building 9 2188 Sunshine North Street Jingxiu District Baoding, Hebei Province PRC Ms. Wong Wai Ling (黃慧玲) (ACIS, ACS) 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Authorized representatives	Ms. Shen Lifeng (申麗鳳) *(Independent non-executive Director)* Room B, 23/F, The H Bonaire 68 Ap Lei Chau Main Street Hong Kong Island Hong Kong Ms. Wong Wai Ling (黃慧玲) *(Joint company secretary)* 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong

Audit Committee	Ms. Shen Lifeng (申麗鳳) *(Chairwoman of the committee)* Mr. Li Baoyuan (李寶元) Mr. Cao Qingshe (曹清社) Ms. Chen Xin (陳欣) Mr. Chan Ngai Sang Kenny (陳毅生)
Remuneration Committee	Ms. Chen Xin (陳欣) *(Chairwoman of the committee)* Mr. Li Baozhong (李寶忠) Mr. Shang Jinfeng (商金峰) Ms. Shen Lifeng (申麗鳳) Mr. Chan Ngai Sang Kenny (陳毅生)
Nomination Committee	Mr. Li Baozhong (李寶忠) *(Chairman of the committee)* Mr. Shang Jinfeng (商金峰) Ms. Shen Lifeng (申麗鳳) Ms. Chen Xin (陳欣) Mr. Chan Ngai Sang Kenny (陳毅生)
H Share Registrar	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Principal Bankers	China Construction Bank Corporation, Baoding Wusi West Road Branch 300 Wusi West Road Jingxiu District Baoding, Hebei Province PRC Agricultural Bank of China Limited, Baoding Branch 193 Dongfeng West Road Jingxiu District Baoding, Hebei Province PRC

Bank of China Limited,
Baoding High-tech Development Zone Branch
700 Chaoyang North Avenue
Jingxiu District
Baoding, Hebei Province
PRC

Bank of Communications Co., Ltd., Baoding Branch
No.1868 Dongfeng Middle Road
Jingxiu District
Baoding, Hebei Province
PRC

The information presented in this section is derived from the Frost & Sullivan Report, as well as various official or publicly available publications. The information derived from the Frost & Sullivan Report reflects estimates of the market conditions based on information from various sources. See "– Source of Information." 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. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or adversely impact the quality of the information in this section. We, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers, the Underwriters, or their respective affiliates or advisors or any other party 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. Such information may not be consistent with, and may not have been compiled with the same degree of accuracy or completeness as, other information compiled within or outside the PRC. Accordingly, the official government and other third party sources contained herein may not be accurate and should not be unduly relied upon.

OVERVIEW OF MACRO ECONOMY IN CHINA

China's economy has demonstrated stable growth in the past five years. Nominal GDP in China grew from RMB48.4 trillion in 2011 to RMB72.5 trillion in 2016, representing a CAGR of 8.4%. Despite the slowdown in the growth, nominal GDP in China is still anticipated to show a CAGR of 7.9% from 2016 to 2021, reaching RMB106.3 trillion in 2021, driven by the strong potential in domestic consumption, government stimulus policy and continuous investment in fixed assets.

In line with the steady growth of nominal GDP, the nominal GDP per capita in China increased from RMB36,018.0 in 2011 to RMB52,475.8 in 2016, representing a CAGR of 7.8%. It is projected to reach RMB75,043.7 in 2021, representing a CAGR of 7.4% from 2016 to 2021.

Construction industry plays a significant role in the development of national economy. Building construction, infrastructure construction and professional supporting services, are important components of construction industry in China. The completed investment in fixed assets of construction industry increased from RMB324.0 billion in 2011 to RMB521.4 billion in 2016, representing a CAGR of 10.0%.

OVERVIEW OF MACRO ECONOMY IN THE BEIJING-TIANJIN-HEBEI REGION

The Beijing-Tianjin-Hebei Region, which is the region with the highest urbanization rate in Northern China, covers Beijing, Tianjin and 11 prefecture-level cities in Hebei Province (including Baoding, Tangshan, Langfang, Shijiazhuang, Xingtai, Handan, Hengshui, Cangzhou, Qinhuangdao, Zhangjiakou and Chengde). The coordinated development of the Beijing-Tianjin-Hebei Region aims at promoting the synergetic development of Beijing, Tianjin and Hebei. Its missions are to build a new capital-centered economic circle, to promote the innovation of regional development mechanism, and to explore effective ways of ecological civilization construction and the coordinated development of population, economy, environment and resources. The strategy contributes to achieving the mutual advantages of the three regions, boosting the development in Bohai Rim Economic Zone (including Beijing and Tianjin municipalities, Hebei, Shanxi, Liaoning and Shandong provinces, and the Inner Mongolia autonomous region) and driving the development of the interior in the north.

The urbanization rate in Hebei Province was approximately 53.0% in 2016, much lower than that of Beijing (87.0%) and Tianjin (83.0%), and lower than the national average level of 57.4%. Also, the construction of infrastructure and related public supporting facilities lags significantly behind Beijing and Tianjin. Benefiting from the support from the government and the resources from Beijing and Tianjin, it is expected that the urbanization level in Hebei Province will increase and corresponding infrastructure and supporting facilities will also be enhanced.

With the coordinated development of the Beijing-Tianjin-Hebei Region started in 2011, the nominal GDP in the Beijing-Tianjin-Hebei Region increased from RMB5,207.5 billion in 2011 to RMB7,206.4 billion in 2016, representing a CAGR of 6.7%. Driven by the strong economic and policy support from the government, the process is expected to further accelerate in the near future. The nominal GDP in the Beijing-Tianjin-Hebei Region is forecasted to keep growing at a CAGR of 3.0% and reach RMB8,337.8 billion in 2021.

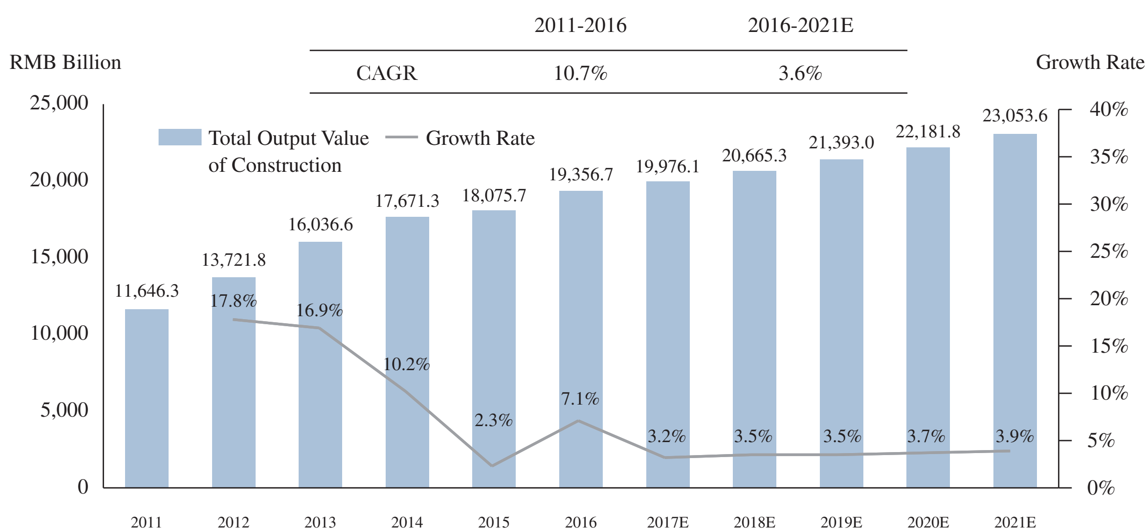
In line with the growth in nominal GDP, nominal GDP per capita in the Beijing-Tianjin-Hebei Region increased from RMB36,018.0 in 2011 to RMB52,475.8 in 2016, representing a CAGR of 7.8%. It is estimated that nominal GDP per capita in the Beijing-Tianjin-Hebei Region will continue growing at a CAGR of 7.4% to RMB75,043.7 in 2021. The growing nominal GDP per capita in the Beijing-Tianjin-Hebei Region has demonstrated the increasing living standards and average purchasing power of the residents in Beijing, Tianjin and Hebei Province. It is anticipated that the coordination process will further promote the increase in nominal GDP per capita in the Beijing-Tianjin-Hebei Region.

On April 1, 2017, the CPC Central Committee and the State Council issued a notice to set up Xiong'an New Area in Hebei Province. Located in the hinterland of Beijing, Tianjin and Baoding, Xiong'an New Area covers the counties of Xiongxian, Rongcheng, Anxin in Hebei Province and their surrounding area. The decision is to relieve the non-capital functions of Beijing and to advance the coordinated development of the Beijing-Tianjin-Hebei Region. There are seven key points to be addressed in the establishment of Xiong'an New Area: (i) to build a green and intelligent city; (ii) to create a beautiful ecological environment; (iii) to develop high-end new industries; (iv) to provide high quality public service; (v) to establish an efficient transportation network; (vi) to advance structural reform; and (vii) to realize comprehensive opening-up. The establishment of Xiong'an New Area will inevitably promote the construction of infrastructure. With the proceeding of the coordinated development of the Beijing-Tianjin-Hebei Region, the investment related to infrastructure construction is likely to surge significantly, among which the investment in construction of infrastructure and rail transit will also boom. It is estimated that the accumulated investment in the fixed assets of Xiong'an New Area will exceed RMB400 billion in the next five years from 2017 to 2021.

THE CONSTRUCTION INDUSTRY IN CHINA AND THE BEIJING-TIANJIN-HEBEI REGION

Overview of the Construction Industry in China

Total Output Value of Construction in China (2011-2021E)



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

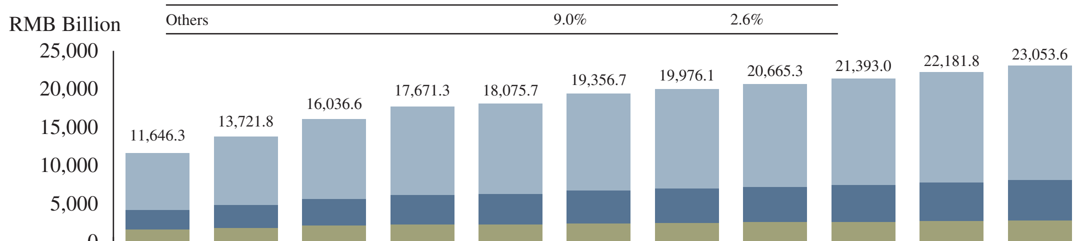
Notes: The total output value of construction is a quantitative criteria to measure the production scale, development efficiency, and gross output of the construction industry, which includes: (i) output of construction which refers to construction field work, equipment installation, building maintenance, non-standard equipment production; (ii) output of axillary construction products and industrial work; (iii) output of outsourced construction service and machinery leasing service; (iv) output of survey and design service; (v) output of other work, products and services.

Owing 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 RMB11,646.3 billion in 2011 to RMB19,356.7 billion in 2016, representing a CAGR of 10.7%. In 2015, due to the decreased growth rate of investment in fixed assets and the arrival of "new normal" phase, the year-on-year growth rate of the total output value of construction demonstrated a downhill from 10.2% in 2014 to 2.3% in 2015. However, China launched the 13th Five-Year Plan in 2016 with the goal to achieve well-off society in an all-round way by 2020 and to accelerate the increase of urbanization rate, which led to the recovery of the construction of social housing, resettlement housing, and infrastructure. Meanwhile, benefiting from the advanced promotion of PPP mode, the growth rate rebounded to 7.1% in 2016.

Going forward, driven by the continuous government investment in infrastructure construction and favorable policy on urbanization, especially the policy to promote the urbanization process in the Midwest area, the total output value of construction industry of China is expected to continue to grow and is estimated to reach RMB23,053.6 billion in 2021.

Breakdown of Total Output Value of Construction in China (2011-2021E)

CAGR	2011-2016	2016-2021E
Building Construction	10.9%	3.5%
Infrastructure Construction	11.1%	4.3%
Others	9.0%	2.6%



	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E	2020E	2021E
Building Construction	7,523.6	8,915.5	10,449.0	11,567.0	11,821.5	12,649.0	13,041.1	13,475.3	13,941.5	14,441.9	14,995.3
Infrastructure Construction	2,552.5	2,991.6	3,500.1	3,857.1	3,976.7	4,294.8	4,458.1	4,643.3	4,840.3	5,061.6	5,309.6
Others	1,570.2	1,814.7	2,087.5	2,247.2	2,277.5	2,412.9	2,476.9	2,546.7	2,611.2	2,678.3	2,748.7
Total	11,646.3	13,721.8	16,036.6	17,671.3	18,075.7	19,356.7	19,976.1	20,665.3	21,393.0	22,181.8	23,053.6

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

Notes: Building construction refers to the construction work of building and the corresponding building service, which mainly include commercial buildings and residential buildings. Infrastructure construction refers to the construction work of public infrastructure, aiming to provide public service for civilians. The projects of infrastructure construction are usually financed and led by governments and mainly include transportation, power supply, water supply, hospital facility, education facility, etc. Other construction mainly includes the construction work of industrial buildings (factory, warehouse, mine, foundry, etc.) and agricultural buildings (grain and fodder processing stations, livestock and poultry farms, etc.).

Building construction

The large population in China forms the giant market base for building construction. Tightening policy slows down the growth of the residential construction market. However, industrial upgrading still drives the dynamic growth of the commercial and industrial construction market.

Infrastructure construction

The surging population density especially in the first tier and second tier cities continuously increases the load of public facilities and resources, generating considerable demand for infrastructure construction and maintenance. Transportation infrastructure construction is a sub category of infrastructure construction. The flows of transport are the blood stream of municipalities, and the transportation infrastructure plays the role of blood vessels. Increasing penetration rate of automobile and expanding economy scale in China's cities lead to more investment to be pumped into transportation infrastructure to maintain the normal functions of cities.

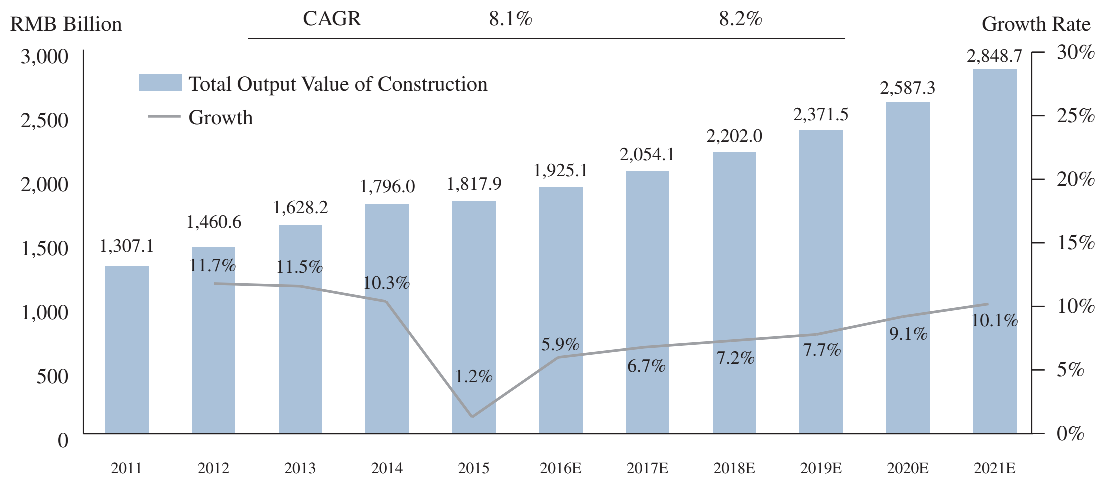
Overview of the Construction Industry in the Beijing-Tianjin-Hebei Region

During the period from 2011 to 2016, output value of construction in the Beijing-Tianjin-Hebei Region recorded an upward trend, growing from RMB1,307.1 billion in 2011 to a market size of RMB1,925.1 billion in 2016, accounting for almost 10% of the total output value of construction in China.

Going forward, the coordinated development of the Beijing-Tianjin-Hebei Region is expected to stimulate the development in the Beijing-Tianjin-Hebei Region. Besides, the establishment of the Xiong'an New Area, a new economic zone in Hebei Province, will focus on building clusters of high-tech and innovative businesses and take over non-capital functions from Beijing, which is anticipated to generate considerable amounts of capital to the construction of residential, infrastructure and other buildings. From 2016 to 2021, output value of construction in the Beijing-Tianjin-Hebei Region is estimated to increase at a CAGR of 8.2%, much higher than the overall output value of construction in China with the CAGR of 3.6%, and reach RMB2,848.7 billion in 2021.

Total Output Value of Construction in Beijing-Tianjin-Hebei Region (2011-2021E)

	2011-2016	2016E-2021E
CAGR	8.1%	8.2%



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

Market Drivers

Growth in Infrastructure Investment

Over the past few decades, the continuous growth in fixed asset investment has contributed to the development of construction industry in China. There is still a gap in infrastructure development between China and developed countries. By the end of 2015, the infrastructure capital stock per capita in China recorded USD828, while the same statistic recorded USD11,000 in the US. The 13th Five-Year Plan has proposed to "speed up the construction of infrastructure in China covering the sectors of transportation, water conservancy, energy facilities, etc. to further improve national basic public services level," which is expected to generate total investment value of approximately RMB40 billion in China and greatly drive the steady growth of construction industry in China.

Acceleration of Urbanization

According to the historical data over the period from 2001 to 2011 generated by the National Bureau of Statistics of the PRC, since 2001, an increase of 1.0% in urbanization rate has, on average, generated an increase of 3.7% in demand for investment value in fixed assets. In 2016, the urbanization rate in China reached 57.4%, and it is expected to reach 60.0% in 2020. Meanwhile, Hebei province has an urbanization rate of 53.0% in 2016, which is lower than the national level and thus has more growth space in the future. Therefore, the increase in urbanization rate will directly stimulate the demand for fixed asset investment, and thus drive the development of the construction industry. In addition, the National New Urbanization Plan (2014-2020) pointed out that the government will focus on the renovation project of shantytowns, city villages and dilapidated buildings where about 100 million people live, which will also bring substantial demand for the construction industry.

Implementation of the "Belt and Road Initiative"

The implementation of the "Belt and Road Initiative" is expected to directly benefit the construction industry. The "Belt and Road Initiative" covers the area of ASEAN, South Asia, West Asia, Central Asia, North Africa and Europe, which altogether have a population of 4.6 billion (about two-thirds of the world population) and a total GDP of USD20 trillion (about one-third of the world GDP). In 2015, stimulated by the "Belt and Road Initiative," the on-going infrastructure construction scale exceeded RMB1.0 trillion, and the cross-border investment amounted to approximately USD52.4 billion. In the meantime, over 10 provinces, regions and municipalities in China are also expected to benefit from the development of the "Belt and Road Initiative," especially the western region of China including Chongqing, Sichuan, Guizhou, Yunnan, Xinjiang, Inner Mongolia, Shaanxi, Gansu, Ningxia, where infrastructure and building construction has been undergoing rapid growth. The vast overseas and domestic markets have created many new opportunities for the construction industry.

Boost from Private Investment

The increasing participation of private sector investment, which is represented by PPP mode, effectively relieves the financial pressure on local governments and strongly reinforces the sustainable development of the construction industry. With the government support and enthusiasm of social investment, cooperation modes like PPP are expected to boost the healthy development of construction projects in China.

Barriers to Entry

Certification and Credential Barrier

The construction industry in China raises very high requirement for players' certificates, and the players' business coverage has to be strictly in line with their achieved certificates. In China, the certificate is awarded based on factors including, but not limited to, registered capital, track record, equipment and machinery capacity, minimum member of technical and managerial employees. Among these certificates, the Premium Class Certificate is the highest certificate awarded to building construction general contractors satisfying the high standards in relation to project management experience, technological innovation and scale of operations. The Engineering Design Certificate is awarded to those that meet high standards in relation to personnel qualifications, management capabilities and internal control. Construction companies holding both of the above certificates are able to provide fully-integrated construction solutions, which consist of construction contracting and design, survey and consultancy services for building construction projects of all types and scales nationwide. Moreover, they can charge a premium rate substantially higher than other construction companies in the market. Besides the certificates mentioned above, the accumulated number of projects winning awards such as the Lu Ban Award for China Construction Engineering, the Tien-yow Jeme Civil Engineering Prize, etc. is also a significant factor for tenderee to make the final decision on general contractors. Among all the awards, the Lu Ban Award for China Construction Engineering, originated in 1987, is regarded as the highest honor for the high-quality project in the construction industry in China.

Capital Barrier

Capital scale is another major barrier for new entrants, which mainly refers to registered capital and net asset. In China's construction industry, players need to prepare guarantee fee for many processes including contracting, equipment purchase/rental, project completion inspection and acceptance. Furthermore, large scale projects usually raise certain requirement for players' registered capital. Thus, new entrants without sufficient capital may be restricted in undertaking projects of large scale.

Professional Employee Barrier

Having sufficient professional employees plays a significant role for construction companies in China. The Measures for the Management of the Practice of Registered Constructor (註冊建造師執業管理辦法) requires that middle-scale and large-scale projects should be taken charge by Class A Constructor License holders and any registered constructor is forbidden to take the role of principal project leader in two or more construction projects at the same time. The number of first-class registered constructor directly reflects the players' professional level and construction capacity, which means that with a large number of first-class registered constructors, companies can undertake considerable amounts of medium to large-scale construction projects at the same time. Generally, new entrants lack the industry reputation to attract professional employees and need a long period to train new talents.

Market Trends

Increasing Adoption of "PPP" Mode in Projects

"PPP" is increasingly adopted in infrastructure construction projects in China at present. By signing the contract, the private party provides a public service and assumes substantial financial, technical and operational obligation in the project, which enables the government to reduce the pressure on financing and better manage project supervision. According to the statistics from the National Development and Reform Commission, as of the end of 2016, there were 11,260 projects registered in the PPP project database of the Ministry of Finance of the PRC and the total project investment amounted to RMB13.5 trillion. Amongst which, in terms of number of projects in the database, three types of projects, namely municipal construction, transportation, integrated urban development projects were the top three categories, accounting for 54% of the total number of projects in aggregate. Due to the benefits brought by the "PPP" mode, this mode is being increasingly applied, which is likely to accelerate the development of construction industry.

Emphasis on Environmental Protection in Construction Process

The 13th Five-Year Plan states that eco-friendly technologies and materials are expected to be used widely in the construction industry to promote "Green Building," a concept denotes to save the resources, reduce the waste and protect the environment to the largest extent in the whole life cycle of the construction, with the purpose of providing healthy, comfortable and efficient living space for the residents. "Green Building" is also a part of the construction of low-carbon eco-city. Simultaneously, China intends to put more effort on eliminating the backward production capacity and reducing the excess capacity in the construction industry, which contributes to low energy consumption and low emission in construction process. Therefore, the trend is to attach more importance to environmental protection in the construction industry.

A Higher Level of Mechanization in Construction

China has a huge construction demand, which creates many opportunities for the development of the construction market. However, China's construction industry is still labor-intensive. With the further development of economy and society, human resources in the construction industry of China are increasingly limited, leading to the rising costs of labor. Thus, improving the level of mechanized construction technology can increase the efficiency and further promote the development of the construction industry. Construction enterprises can improve the market competitiveness and promote the upgrading of the construction industry through the development of construction mechanization.

Competitive Landscape

The construction industry in the PRC is highly fragmented. By December 31, 2016, there were more than 80,000 construction companies in China, and only more than 300 big companies among them have the Premium Class Certificate as building construction general contractors. These large-scale general contractors have developed close relationship with the sponsors of the projects and have stronger bargain power as compared to subcontractors. Consequently, leading general contractors occupy more market shares by leveraging their geographical advantages, personnel qualifications, management capabilities, and advanced in technology and equipment. As the construction industry further develops, the leading general contractors are estimated to reinforce their competitive strengths and raise the entry barriers to achieve a higher market concentration in the construction industry.

In terms of the total revenue in 2016, Hebei Construction Group Corporation Limited ranked second among all the non-state owned construction companies in China and first among all the non-state owned construction companies in the Beijing-Tianjin-Hebei Region.

Key Market Players

Ranking by revenue of non-state owned construction companies in China in 2016

Rank	Company	Revenue *(RMB Billion)*
1	Company A	53.1
2	**Our Group**	**38.6**
3	Company B	29.4
4	Company C	25.9
5	Company D	24.0
6	Company E	20.3
7	Company F	19.1
8	Company G	18.2
9	Company H	15.0
10	Company I	14.9

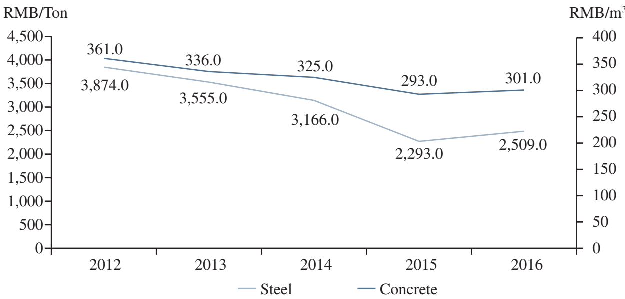
Source: Frost & Sullivan

Price Trend of Raw Materials

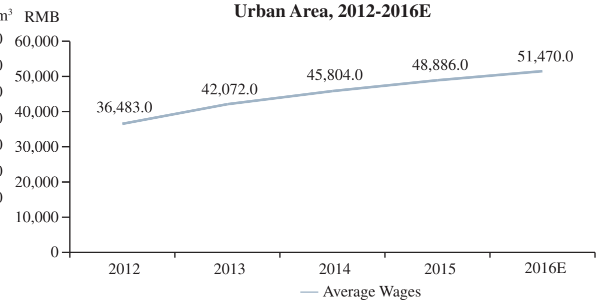
Concrete and steel are the two major raw materials used in the construction industry. From 2012 to 2016, the price of concrete has demonstrated a continuous downtrend from RMB361.0 per ton in 2012 to RMB301.0 per ton in 2016. The price index of concrete declined from 96.5 to 80.5 during the same time period. Due to the excessive production capacity and decreasing demand from the iron and steel industry, the price of steel experienced a substantial drop from 2014 to 2015. With the gradual recovery of the downstream industries of the iron and steel, the price of steel slowly rose from RMB2,293 per cubic meter in 2015 to RMB2,509 per cubic meter in 2016. The price index of steel demonstrated the same trend.

The past several years have witnessed the sharp rise in the overall labor cost in China. According to the statistics from the National Bureau of Statistics of the PRC, the average wages in the construction industry in the urban area of China increased from RMB36,483.0 in 2012 to RMB51,470.0 in 2016. The price index demonstrated the same trend.

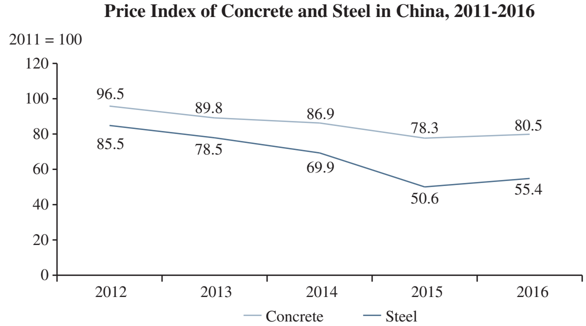
Price of Concrete and Steel in China, 2012-2016



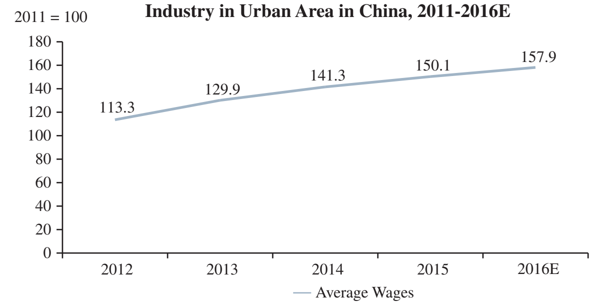
Average Wages of Construction Industry in China's Urban Area, 2012-2016E



Price Index of Concrete and Steel in China, 2011-2016



Index of Average Wages of Construction Industry in Urban Area in China, 2011-2016E



Source: National Bureau of Statistics of China, National Development and Reform Commission, Frost & Sullivan

SOURCE OF INFORMATION

We had commissioned Frost & Sullivan to provide information on the construction industry and real estate industry in China, the Beijing-Tianjin-Hebei Region and Hebei Province. We had agreed to pay a fee of RMB700,000 to Frost & Sullivan for the report. The Directors are of the view that the payment does not affect the fairness of the views and conclusions presented in the Frost & Sullivan Report.

In compiling and preparing the research report, Frost & Sullivan conducted primary research including interviews with industry experts and participants and secondary research which involved reviewing the statistics published by the government official statistics, annual reports and data based on its own database. Frost & Sullivan presented the forecast for various market size based on historical data analysis plotted against macroeconomic data, as well as data with respect to the related industry drivers and integration of expert opinions. Frost & Sullivan assumed that the social, economic and political environment in China is expected to remain stable.

Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes industrial and machinery, automotive and transportation, chemicals, material and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics and technology, media and telecom. The Frost & Sullivan Report includes data of the construction industry and real estate industry in China, the Beijing-Tianjin-Hebei Region and Hebei Province.

OVERVIEW

This section sets out summaries of certain aspects of PRC laws and regulations, which are relevant to our operation and business.

REGULATORY AUTHORITIES

We are principally subject to the supervision of, and regulations promulgated by, the following authorities of the PRC Government:

- The MOHURD is responsible for the guiding of the planning and construction of rural and urban areas in China, the establishment of national standards of construction, guiding of the construction activity and regulating the construction market in China. It is also responsible for the supervision and administration of qualifications of real estate development enterprises and the supervision and administration of real estate development in China.

- The NDRC which is responsible for the planning, review and approval of construction projects with fixed asset investments.

- The MOFCOM is responsible for the supervision and administration of overseas construction projects and overseas cooperative labor arrangements, as well as for the issuance of the relevant business permits. Enterprises and institutions engaging in overseas construction projects and overseas cooperative labor arrangements must apply to the MOFCOM for appropriate qualification certificates.

- The State Administration of Work Safety is responsible for supervising and administrating of production safety in a comprehensive manner. The authority in charge of production safety of local governments at county level or above is responsible for the comprehensive supervision and administration of production safety work within their respective jurisdictions.

- The Ministry of Environmental Protection and the local administrative authorities for environmental protection, which are responsible for the administration of environmental protection issues of construction projects, including the review and approval of environmental impact assessment documents for construction projects, the assessment of qualifications of enterprises that conduct environmental impact assessment for construction projects and the inspection and acceptance of environmental protection facilities of construction projects.

QUALIFICATIONS

Qualifications for Construction Contracting

The *Construction Law of the People's Republic of China* (《中華人民共和國建築法》), the *Provisions on the Administration of Qualifications of Enterprises in 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 *Premium Class Standards, 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》), the *Qualification Standards of Construction Labor Subcontracting Enterprises* (《建築業勞務分包企業資質標準》), together with other regulations stipulate the application requirements and the scope of contracting of construction enterprises.

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 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* 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 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), 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 and four grades. The four types are comprehensive construction design certifications, industry-specific construction design certifications, specialty construction design certifications, and specific construction design certifications. The four grades are Grades A, B, C and D. Grade A is the only level for the comprehensive construction design certification. Industry-specific construction design certifications, specialty construction design certifications and specific construction design certifications are generally categorized into Grade A and Grade B. Depending on the nature and technical characteristics of the relevant construction engineering projects, there may be an additional Grade C category for certain industry-specific and specialty construction design certifications, and an additional Grade C and D category for specific construction design certifications.

The scope of work that enterprises are allowed to provide depends on the specific type and grade of their certificates. The *Qualification Standards of Construction Design* (《工程設計資質標準》), sets forth detailed provisions on application requirements of each type and grade mentioned above.

Pursuant to the Provisions on the Administration of Qualifications for Survey and Design of Construction Projects, an enterprise shall submit an application to the original licensing department for renewal of registration within 60 days before the expiration date.

BIDS

According to the *Construction Law of the People's Republic of China* and the *Tender and Bidding Law of the People's Republic of China* (《中華人民共和國招標投標法》), tender is required for the survey, design, construction and consultancy of projects in China, including projects involving large-scale infrastructure and public utility relating to public interest and safety, projects entirely or partially financed by state-owned funds or 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 the Scope and Threshold of Construction Projects for Bid Invitation* (《工程建設項目招標範圍和規模標準規定》) 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》) provide the specific requirements for bidding.

The *Provisions on the Scope and Threshold of Construction Projects for Bid Invitation* defines the scope of infrastructure projects involving social public interests and public safety, the scope of public utility projects involving social public interests and public safety, the scope of projects invested with State funds, the scope of projects financed by the State, and the scope of the projects using the funds from international organizations or foreign governments. Any of the aforesaid projects, construction contracts of more than RMB2.0 million in value, procurement contracts of more than RMB1.0 million in value, service contracts of more than RMB0.5 million in value or total project investments of more than RMB30.0 million shall be subject to bidding. No company or individual is permitted to evade the bidding process by splitting a project for which a bid must be invited according to law or by any other means. Invitations for survey and design bidding for construction projects are categorized as public tender and tender by invitation. A bid inviter may, in light of the various characteristics of a construction engineering project, conduct an overall bidding process for exploration and design or conduct separate processes in stages as required without prejudicing the integrity and continuity of the project. A bid may not be invited if approved by the competent authority for the exploration, design of construction projects requiring patented or special technologies or having special requirements on the artistic design of the construction.

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 People's Republic of China* (《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.

PROPERTY DEVELOPMENT

Under the *Provisions on Administration of Qualifications of Property Development Enterprises (2000)* (《房地產開發企業資質管理規定(2000)》), a property development enterprise shall apply for classification of its qualifications, and shall not engage in real estate development without a qualification classification certificate for real estate development. According to such provisions, based on their specific conditions, property development enterprises are subject to four classes of qualifications classification: the first class, the second class, the third class and the fourth class. Enterprises with different classes of qualifications shall conduct their respective property development businesses within the stipulated business scope and may not undertake any property development businesses and assignments that are reserved for higher qualifications classes.

Pursuant to the *Regulations on the Administration of Urban Property Development and Operations* (《城市房地產開發經營管理條例》), the competent real estate development authorities shall examine the qualification class of real estate developers, by considering their assets, professional technicians as well as development and business achievements. A real estate developer shall engage in property development projects in compliance with its approved qualification. Relevant specific rules shall be formulated by the competent administrative department of construction of the State Council.

Under the *Law on Land Administration of the People's Republic of China* (《中華人民共和國土地管理法》) and the *Regulations on the Assignment of State-Owned Construction Land Use Rights through Bidding, Auction and Listing* (《招標拍賣掛牌出讓國有建設用地使用權規定》), with an exception of the land use rights of the land for government offices, military facilities, urban infrastructure facilities and public facilities, which may be obtained through allocation, land to be used for industrial (including warehousing and storage, but excluding mining), commercial, tourism, entertainment and commercial residential housing purposes shall be transferred through bidding, auction or listing. The land development entity which has obtained the state-owned land use rights through grant or other compensatory fee-paying methods must pay such compensatory land use fees as the premium for obtaining land use rights as well as other fees before using such land.

According to the *City Property Administration Law of the People's Republic of China* (《中華人民共和國城市房地產管理法》), property development must be in strict compliance with the requirements of the relevant urban plan and design. A property development project, land use rights of which have been obtained through grant, must be developed in accordance with such terms as the usage and the deadlines for commencement and development of the land that are stipulated in the relevant land use rights grant agreement.

Under the *Law of Urban and Rural Planning of the People's Republic of China* (《中華人民共和國城鄉規劃法》), after its execution of the land use rights grant agreement for state-owned land, the land development entity shall apply for the construction land planning permit and the construction work planning permit in accordance with the relevant laws and regulations. Failing to obtain the construction work planning permit or develop the land in compliance with the requirements set forth in such permit will result in such administrative penalties as suspension of construction, rectification within a stipulated time period, demolishment of structures before a stipulated deadline, confiscation of tangible assets or illegal income, or fine that the relevant administrative authority for urban and rural planning shall impose based on the particular nature of non-compliance.

In accordance with such regulations as the *Administrative Rules on the Development and Operation of Urban Properties* (《城市房地產開發經營管理條例》) and the *Administrative Measures for Construction Permits of Building Project*s (《建築工程施工許可管理辦法》), development and construction of any real estate project by a property development enterprise shall comply with all relevant laws and regulations, the quality requirements for the project construction, safety standards and technical criteria for the survey, design and construction of the construction project as well as relevant contractual terms. Furthermore, before the commencement of the property development project, the construction work commencement permit shall be obtained as required under applicable laws. Once the property development construction project is completed, it can only be utilized after inspection and meeting qualification for delivery, and no project that has not been so inspected or is determined to be unqualified upon such inspection may be utilized.

Under such regulations as the *Administrative Rules on the Development and Operation of Urban Property*, the *Administrative Measures for the Sale of Commercial Residential Properties* and the *Administrative Measure for the Pre-Sale of Urban Commercial Residential Properties*, property project owners may sell commercial residential housing through pre-sale, but shall first apply to local administrative authority for property development for the registration of such pre-sale and to obtain a commercial residential housing pre-sale permit. For qualified completed commercial residential housing, the property developer may file relevant proof documents with the local administrative authority for property development and obtain a commercial residential housing sales permit.

CONSTRUCTION SAFETY

The *Work Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》) provides that a production enterprise must meet the national legal standards or industry standards on work safety and provide work conditions set out in relevant laws, administrative rules and national or industry standards. An entity that cannot provide required work conditions may not engage in production activities. The designers and the design firms for the safety facilities of a construction project are liable for their designs. A production enterprise must present prominent warning signs at relevant dangerous operation sites, facilities and equipment.

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》), 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*, 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》), work safety accidents that cause personal injuries or deaths or direct economic losses shall be generally categorized as follows:

(a) Particularly significant accidents shall refer to accidents that cause more than 30 deaths, or serious injuries of more than 100 people (including acute industrial poisoning, hereinafter the same), or direct economic losses of more than RMB100 million;

(b) Significant accidents shall refer to accidents that cause more than ten deaths but less than 30 deaths, or serious injuries of more than 50 people but less than 100 people, or direct economic losses of more than RMB50 million but less than RMB100 million;

(c) Relatively significant accidents shall refer to accidents that cause more than three deaths but less than ten deaths, or serious injuries of more than ten people but less than 50 people, or direct economic losses of more than RMB10 million but less than RMB50 million; and

(d) General accidents shall refer to accidents that cause less than three deaths, or serious injuries of less than ten people, or direct economic losses of less than RMB10 million.

Work Safety Permits

Pursuant to the *Work Safety Law of People's Republic of China*, the *Regulation on the Work Safety Permits* (《安全生產許可證條例》), 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.

SUPERVISION ON THE QUALITY OF CONSTRUCTION PROJECTS

Under the *Regulations on the Administration of Construction Project Quality* (《建設工程質量管理條例》), sponsoring enterprises, reconnaissance firms, designers, construction enterprises and project supervisory enterprises shall be responsible for the quality of construction projects. For construction projects, where all works are governed by a main contract, the main contractor shall be responsible for the quality of the whole construction project and, where it subcontracts part of the project work, the subcontractors will be jointly and severally responsible for the quality of the construction work. Contracting parties should present quality guarantee and maintenance certificates to the sponsoring enterprises when tendering the project completion report to the sponsoring enterprises.

INSPECTION AND ACCEPTANCE OF CONSTRUCTION PROJECTS

Pursuant to the *Rules of As-built Inspection of Housing, Building and Municipal Infrastructure Projects* (《房屋建築和市政基礎設施工程竣工驗收規定》), after completing the project, an inspection team comprising design, survey, construction, supervision units should be established. Each unit is required to report the compliance status of engineering contracts, the implementation of laws, regulations and mandatory standards for construction in various aspects of the construction.

Pursuant to the *Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects* (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), the filing of the as-built inspection of various housing, building and municipal infrastructure projects, including new building, expansion and rebuilding projects, within the territory of the PRC shall be governed by the measures. A construction entity shall, in accordance with the measures, go through the filing formalities with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed.

ENVIRONMENTAL PROTECTION

The *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the *Prevention and Control of Atmospheric Pollution Law of the People's Republic of China* (《中華人民共和國大氣污染防治法》), the *Prevention and Control of Water Pollution Law of the People's Republic of China* (《中華人民共和國水污染防治法》), the *Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China* (《中華人民共和國固體廢棄物污染環境防治法》), the *Construction Law of the People's Republic of China* (《中華人民共和國建築法》), the *Environmental Effect Appraisal Law of the People's Republic of China* (《中華人民共和國環境影響評價法》), the *Regulation on the Administration of Environmental Protection of Construction Projects* (《建設項目環境保護管理條例》) and other relevant laws and regulations contain provisions concerning environmental protection during the course of construction projects.

Construction entities must, in accordance with laws and regulations concerning environmental protection and work safety, adopt measures to control environmental pollution and harm resulting from dust, waste gas, waste water, solid waste materials, noise and vibration at construction sites. The State Environmental Protection Administration and local governmental authorities in charge of environmental protection are responsible for the supervision and administration of environmental protection during the course of construction.

The sanctions imposed for entities in breach of environmental protection laws vary in accordance with the extent of the pollution and the circumstances of the breach. These sanctions include warnings, fines, and remedial actions within prescribed timelines, suspension or cessation of operations. Entities in breach will also be liable to indemnify entities who have suffered losses as a result of the pollution. Breach of the *Environmental Protection Law of the People's Republic of China* will be subject to criminal liability according to law if it constitutes a crime.

LABOR WORK AND PERSONNEL

The *Labor Law of the People's Republic of China* (《中華人民共和國勞動法》), the *Law of People's Republic of China on Employment Contract* (《中華人民共和國勞動合同法》) and the *Rules for Implementation of Labor contract Law of the People's Republic of China* (《中華人民共和國勞動合同法實施條例》) are to regulate the labor relations to be established between employers and laborers, entering into, execution, performance, modification and cancelation or termination of labor contract by them, perfect labor contract systems, specify the rights and obligations of both parties to a labor contract and protect the legitimate rights and interests of employers and laborers.

According to the *Social Insurance Law of the People's Republic of China* (《中華人民共和國社會保險法》) and *Provisions for Implementation of the Social Insurance Law of the People's Republic of China* (《實施〈中華人民共和國社會保險法〉若干規定》), the State shall establish a social insurance system including basic endowment insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to guarantee the rights of citizens to legally obtain financial assistance from the state and society when they become old, ill, suffer from work-related injuries, become unemployed and give birth to a child. Employers and individuals within the territory of the People's Republic of China shall pay social insurance premiums in accordance with the law.

According to the *Regulation on Management of Housing Provident Fund* (《住房公積金管理條例》), the employer shall register for contribution to the housing provident fund at a housing fund management center and open a housing provident fund account with an entrusted bank for its staff after approval by the housing fund management center.

An employer who has decided to recruit a person shall, within 30 days from the date of recruitment register with the housing fund management center for contribution and deposit procedures, and go through procedures at the entrusted bank for establishing or transferring housing provident fund account for the recruited employee with the approval documents issued by the housing fund management center for both employees and employers, the payment rate for housing provident fund shall not be less than 5% of the average monthly salary of the employees in the previous year. The payment rate may be raised for most prosperous cities. Specific payment rates shall be worked out by the Housing Fund Management Committee, and submitted to the People's Government of the provinces, autonomous regions and municipalities for approval after it is examined by the People's Government of immediate jurisdiction.

VALUE-ADDED TAX

Pursuant to the *Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax* (Cai Shui [2016] No. 36) (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by the Ministry of Finance and the State Administration of Taxation on March 23, 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide with effect from May 1, 2016, and all taxpayers of business tax engaged in the building industry, real estate industry, financial industry and life service industry shall be included in the scope of the pilot program. The value-added tax rate to be imposed on construction services, which refer to business activities such as construction, renovation and decoration of various buildings, structures and ancillary supporting facilities thereof, installation of lines, pipes, equipment and facilities, and other engineering operations, including engineering, installation, renovation, decoration and other construction services, shall be 11%.

OUR HISTORY

Background

Our history can be traced back to the 1950s when the Northeast Engineering Company of the Central Ministry of Light Industry (中央輕工業部東北工程公司) and No.1 Construction Installment Engineering Company of the North China Textile Administrative Bureau under the Central Ministry of Textile Industry (中央紡織工業部華北紡織管理局第一建築安裝工程公司) were established as central state-owned enterprises in 1952 and 1953, respectively, to conduct industrial and civil construction (civil engineering) and equipment installment businesses. We were renamed as No. 2 Construction Engineering Company of Northern China Construction Management Bureau of the Ministry of Construction Engineering (建築工程部華北工程管理局第二建築工程公司) in March 1964 and No. 2 Construction Engineering Company of No.8 Bureau of the Ministry of Construction Engineering (建工部八局第二建築工程公司) in October 1965. We were further renamed as No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司) in 1980. In 1997, with the approval of the People's Government of Baoding City and by restructuring of No. 1 Construction Engineering Company of Hebei Province as well as merging and absorbing four state-owned entities, our predecessor, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) (our former name, the "**Predecessor**") was established as a limited liability company in Hebei Province, PRC and primarily engaged in general contracting, overseas contracting, civil engineering construction, construction, installation, survey and design of roads, bridges and tunnels, design of construction technology, real estate development, concrete manufacturing, installation and transportation of machinery, manufacturing of boilers and pressurized containers, construction of automatic fire extinguishing, ventilation and air-conditioning systems and interior and outdoor decoration.

Upon its establishment in 1997, our Predecessor had a registered capital of RMB150,000,000, which was wholly owned by Baoding SAAB. Through withdrawal of state-owned capital and several rounds of capital increases and equity transfers, and immediately prior to completion of the Reorganization, the registered capital of our Predecessor was increased to RMB1,300,000,000, which was owned as to 92.5% and 7.5% equity interests by Zhongru Investment and Qianbao Investment, respectively. See "– Our Corporate Development" for details.

In preparation for the Listing, our Predecessor underwent the Reorganization. Pursuant to the promoters' agreement entered into between Zhongru Investment and Qianbao Investment on March 28, 2017 and upon approvals by the shareholders' general meeting held on March 31, 2017, our Company was incorporated in the PRC through conversion into a joint stock company from our Predecessor on April 7, 2017. Furthermore, for the purpose of focusing on its principal businesses of construction contracting, our Company undertook a series of business restructurings whereby: (i) we disposed of certain entities which were engaged in businesses other than our proposed principal businesses by transferring its equity interests in these entities to Zhongming Zhiye, a company owned as to 92.5% by Zhongru Investment and 7.5% by Qianbao Investment, respectively, and/or independent third parties; and (ii) we deregistered certain entities which were no longer in operation. As of the Latest Practicable Date, Zhongru Investment and Qianbao Investment held 92.5% and 7.5% equity interests in our Company, respectively. See "– Reorganization" for details.

MILESTONES OF DEVELOPMENT

Key milestones in our history up to the present are as follows:

Year	Event
1950s	We commenced our business of industrial and civil construction (civil engineering) and equipment installment businesses, of which our major achievements included but not limited to: • We undertook the construction of the No.1 to No.4 State Cotton Mills and dyeing and printing plant in Shijiazhuang City, the PRC, which made Shijiazhuang City a nationally renowned textile city • We undertook the construction of North China Pharmaceutical Factory (華北製藥廠), which was the largest production base of antibiotics in Asia • We undertook the construction of the "Eight Largest Plants in Baoding (保定八大廠)," including No. 1 Film Plant of the Ministry of Chemical Industry of Baoding (保定化工部第一膠片廠) and 604 Money Paper Factory (604鈔票紙廠), which laid the foundation of local industrial development and contributed to the "First Five Year Plan (一五規劃)" of the country
1965	We were renamed as No.2 Construction Engineering Company of No.8 Bureau of the Ministry of Construction Engineering (建工部八局第二建築工程公司)
1997	Our Predecessor, Hebei Construction Group Co., Ltd., was established, primarily engaged in industrial and civil construction Our subsidiary, HCG Tianchen Construction Engineering, was established and primarily engaged in building construction and public works
2009	The expansion of Hohhot Baita International Airport, which was one of our representative projects, was awarded the Lu Ban Award and the "100 Classic and Quality Projects in the 60 Years since the Founding of the PRC (新中國成立60週年100項經典暨精品工程)"
2010	We were awarded the "10th National Quality Award (第十屆全國質量獎)" by China Association for Quality
2012	We topped on the list of the "Top 500 China Enterprises" released by China Enterprise Confederation and China Enterprise Directors Association for the first time and ranked 433th on such list We were awarded the "National AAA-level Credit Construction Enterprise (全國建築業AAA級信用企業)" by China Construction Industry Association Our research on "Analytical and design theory and key construction techniques relating to the beam-string structure system (張弦結構體系分析設計理論及施工關鍵技術)," conducted in collaboration with three other institutions, received the second-class prize of the National Science and Technology Progress Award

Year	Event
	We were awarded the Gold Award in the first session of the "Gold Award of the Outstanding Contribution for Launching of Lu Ban Award Winning Construction (創魯班獎工程突出貢獻獎金獎)"
	We were awarded the special grade of general contracting for construction projects from the Ministry of Housing and Urban-Rural Development
2013	We were awarded the "Hebei Government Quality Award (河北省政府質量獎)" by the People's Government of Hebei Province
2016	We ranked 21st in the "China Top 80 Contractors" list of *Construction Times (《建築時報》)*
	We have occupied a position on the list of the "Top 500 China Enterprises" released by China Enterprise Confederation and China Enterprise Directors Association for the fifth consecutive year since 2012, and our ranking has been raised to 394th on such list
	Our projects received 67 provincial quality construction awards, including the Tianjin Haihe Cup (天津市海河杯), Beijing Structure Great Wall Cup and Hebei Anji Cup
2017	We undertook the Reorganization and were converted into a joint stock company with limited liability
	We ranked 20th in the "China Top 80 Contractors" list of *Construction Times (《建築時報》)*
	We have occupied a position on the list of the "Top 500 China Enterprises" released by China Enterprise Confederation and China Enterprise Directors Association for the sixth consecutive year since 2012, and our ranking has been raised to 366th on such list
	As of 2017, we have received three Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎)
	As of 2017, we have received six China Steel Structure Golden Awards (中國建築鋼結構金獎)
	As of 2017, we have been awarded 18 Lu Ban Awards, ranking the 5th in the PRC construction industry in terms of total number of Lu Ban Awards received
	We were accredited "An Entity of Outstanding Contribution for Launching of Lu Ban Award Winning Construction (創建魯班獎工程突出貢獻獎單位)"

OUR CORPORATE DEVELOPMENT

Establishment

On September 29, 1997, with the approval of the People's Government of Baoding, our Predecessor was established as a limited liability company by restructuring No. 1 Construction Engineering Company of Hebei Province as well as merging and absorbing four state-owned entities. Upon its establishment in 1997, our initial registered capital was RMB150,000,000, which was wholly contributed by Baoding SAAB.

Withdrawal of State-owned Capital and Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment Becoming our Controlling Shareholders

In September 2000, our Predecessor was selected as one of the major SOEs in Baoding for a pilot reform program whereby state-owned capital was gradually withdrawn from the selected SOEs so as to establish companies with diversified corporate shareholding structures in the market.

In December 2000, with the approval by Baoding Enterprise Reform Promotion Group, the Federation of Labor Unions of Hebei Construction Group Company Limited (河北建設集團有限公司工會聯合會) (the "**Labor Union**"), as the representative of our Predecessor's then employees, injected RMB100,000,000 into our Predecessor's registered share capital by quantifying the employees' salary balances and absorbing employees' investments. Meanwhile, the capital newly converted from our Predecessor's capital reserve of RMB47,495,246 as well as the original registered capital of our Predecessor, were credited as Baoding SASAC's equity contribution. As a result, our Predecessor was owned as to 66.67% by Baoding SASAC and 33.33% by the Labor Union, respectively, with its registered share capital increased to RMB300,000,000.

In April 2001, with the approval by the People's Government of Baoding, our Predecessor's shareholdings were further restructured as followings:

i. Conversion of state-owned assets

As confirmed by Baoding SAAB, our Predecessor's then state-owned net assets amounted to RMB293,337,700 as of June 30, 2000. Pursuant to the restructuring plan, after deduction of employees' social welfare fees of RMB135,057,300 and cash awards to Mr. Li Baoyuan of RMB810,000, the remaining RMB157,470,400 of state-owned net assets was credited as Baoding SAAB's equity contribution to our Predecessor (the "**State-owned Shares**"). The employees' social welfare fees of RMB135,057,300 and the original injection by the Labor Union of RMB100,000,000 were credited as equity contribution by the Labor Union, to our Predecessor. Furthermore, in accordance with applicable governmental policies and as approved by the Baoding government and Baoding SAAB, the cash of RMB810,000 was awarded to Mr. Li Baoyuan in recognition of his years of distinguished services as the general manager of No. 1 Construction Engineering Company of Hebei Province and the chairman of the board of directors and the president of our Predecessor, and his contributions to our Predecessor's rapid development and the increase in asset value since its establishment. The cash award was determined and calculated based on, among others, the increase in the value of state-owned assets and its growth rate.

ii. Share entrustment

In particular, the State-owned Shares were sourced from our Predecessor's state-owned net assets of RMB157,470,400, comprising non-operating state-owned net assets of RMB130,200,400 and operating state-owned net assets of RMB27,270,000. Baoding SAAB did not enjoy any dividend distribution rights or take any relevant responsibilities with regard to the non-operating-asset-based equity interest of RMB130,200,400. On June 18, 2001, Baoding SAAB and Mr. Li Baoyuan entered into an entrustment agreement, pursuant to which, Baoding SAAB entrusted Mr. Li Baoyuan to hold all of the State-owned Shares to exercise the voting rights attached thereto on behalf of Baoding SAAB. Mr. Li Baoyuan was entitled to receive the dividends attributable to the operating-asset-based shares of RMB27,270,000 for a term of eight years. Baoding SAAB shall reclaim such dividend distribution rights attached thereto upon expiry of the eight-year term.

iii. Mr. Li Baoyuan's investment

In June 2001, Mr. Li Baoyuan personally contributed RMB2,730,000 in cash to our Predecessor's share capital. Mr. Li Baoyuan funded such contribution from the abovementioned cash award of RMB810,000 as well as capital of RMB1,920,000 accumulated from Mr. Li Baoyuan and his family's income.

Upon completion of the above restructuring, the registered share capital of the Predecessor amounted to RMB395,257,700, which was owned as to 39.84% by Baoding SAAB, 59.74% by the Labor Union and 0.69% by Mr. Li Baoyuan, respectively.

On November 7, 2008, Baoding SASAC and Mr. Li Baoyuan entered into an equity transfer agreement, pursuant to which, Baoding SASAC transferred its equity interests of RMB27,270,000 in the Predecessor (accounting for 6.9% of the Predecessor's then total issued shares) to Mr. Li Baoyuan for a consideration of RMB27,270,000 in cash (at book value). The consideration was settled on October 22, 2008 and was sourced from the income of Mr. Li Baoyuan and his family. Upon completion of the equity transfer, the registered capital of the Predecessor was owned as to 32.94% by Baoding SASAC, 59.47% by the Labor Union and 7.59% by Mr. Li Baoyuan, respectively. In addition, on December 18, 2008, Baoding SASAC entrusted Mr. Li Baoyuan to continue to hold its 32.94% shares held in the Predecessor to exercise the voting rights attached thereto on behalf of Baoding SASAC, so as to ensure the continuity of management of the Predecessor and the State-owned Shares.

In February 2009, Baoding Zhongcheng injected capital of RMB4,742,300 into the Predecessor, upon completion of which, the registered capital of the Predecessor was increased to RMB400,000,000. The Predecessor was then owned as to 32.55% by Baoding SASAC, 58.76% by the Labor Union, 7.5% by Mr. Li Baoyuan and 1.19% by Baoding Zhongcheng, respectively.

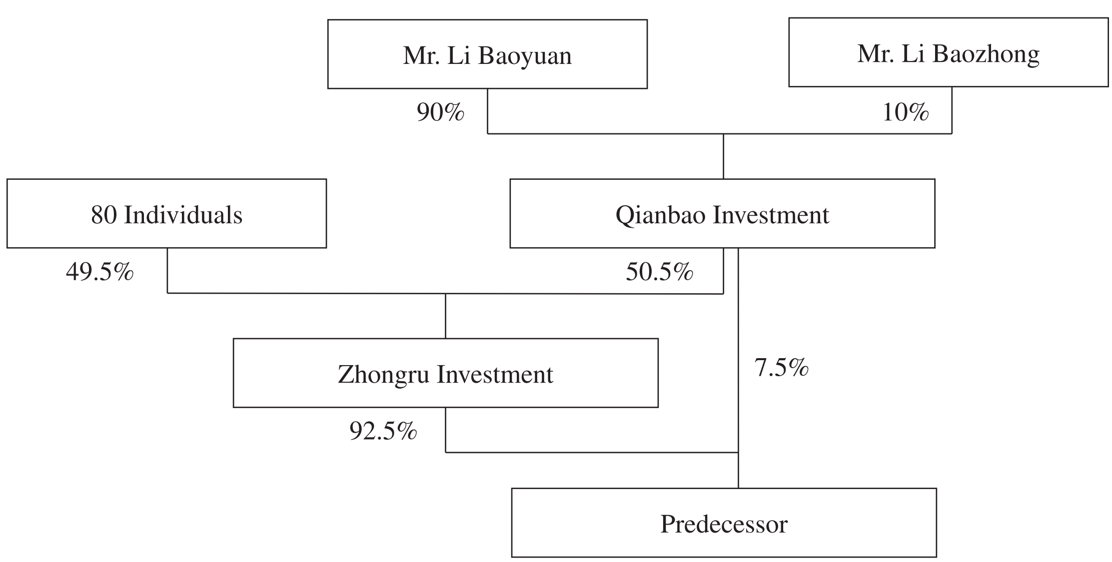
On April 19, 2010, Qianbao Investment was established as a limited liability company in the PRC with a registered capital of RMB50,000,000 through cash contributions by Mr. Li Baoyuan and Mr. Li Baozhong. Upon its establishment, Qianbao Investment was owned as to 90% by Mr. Li Baoyuan and 10% by Mr. Li Baozhong, respectively.

On August 2, 2010, Zhongru Investment was established as a joint stock company with limited liability in the PRC with a registered capital of RMB200,000,000 through cash contributions by Qianbao Investment and 80 individuals, all of whom are then employees of the Predecessor. Upon its establishment, Zhongru Investment was owned as to 50.5% by Qianbao Investment and 49.5% in total by the 80 individuals, whose shareholding percentages ranged from 0.5% to 2.5%.

On August 17, 2010, with the approval by Baoding SASAC and the then shareholders of the Predecessor, Baoding SASAC withdrew all of its capital contribution of RMB130,200,400 in the Predecessor, upon the completion of which, the Predecessor's registered capital was decreased to RMB269,799,600 and was owned as to 87.12% by the Labor Union, 11.12% by Mr. Li Baoyuan and 1.76% by Baoding Zhongcheng, respectively.

On August 23, 2010, (i) the Labor Union, Baoding Zhongcheng and Zhongru Investment entered into an equity transfer agreement, pursuant to which, the Labor Union and Baoding Zhongcheng transferred all of their equity interests held in the Predecessor to Zhongru Investment at the considerations of RMB235,057,300 and RMB4,742,300 (which equal to their capital contributions), respectively, which were settled on the even date; (ii) Mr. Li Baoyuan and Qianbao Investment entered into an equity transfer agreement, pursuant to which, Mr. Li Baoyuan transferred his entire 11.12% equity interest held in the Predecessor to Qianbao Investment for a consideration of RMB30,000,000 (which equals to his capital contribution), which was settled on the even date; and (iii) Zhongru Investment further injected capital of RMB130,200,400 in the Predecessor, which was sourced from Zhongru Investment's own capital. Upon completion of the above equity transfers and capital injection, the Predecessor was owned as to 92.5% by Zhongru Investment and 7.5% by Qianbao Investment, respectively, with its registered share capital increased to RMB400,000,000. For details regarding Zhongru Investment and Qianbao Investment, see "Relationship with Controlling Shareholders".

The following sets out the corporate structure of our Predecessor following completion of the above equity transfer:



In 2014, another 39 individuals who were then employees of the Predecessor contributed RMB31,500,000 in cash in Zhongru Investment. After the capital injection, the registered capital of Zhongru Investment was increased to RMB231,000,000, which was owned as to 43.63% by Qianbao Investment and 56.37% in total by the 119 individuals, whose respective shareholding percentages ranged from around 0.22% to 2.16%. In addition, pursuant to written confirmations signed by each of the 119 individuals in February 2017, they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings and all other rights of shareholders of Zhongru Investment.

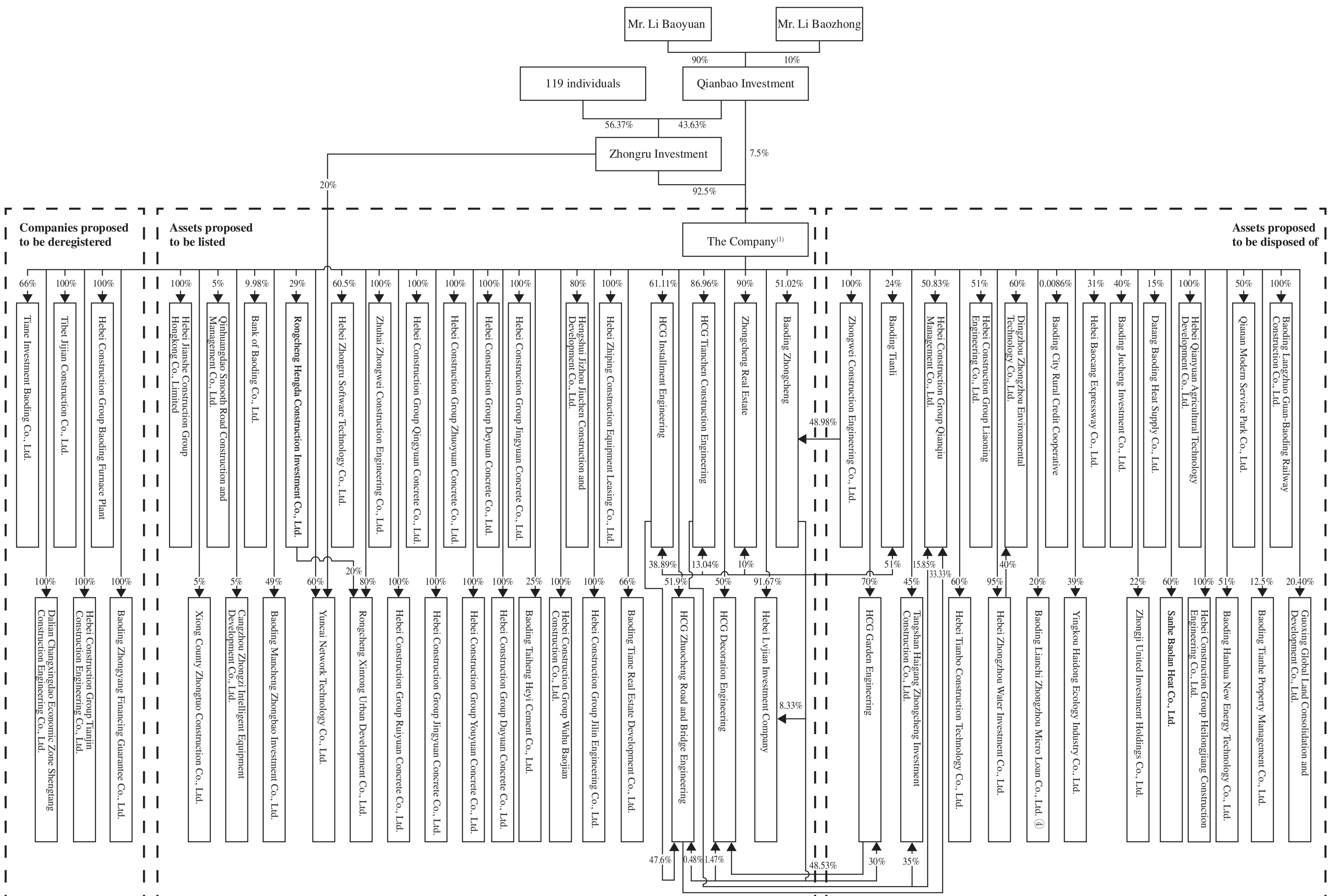
From March 2014 to November 2016, Zhongru Investment and Qianbao Investment conducted several rounds of capital injections in the Predecessor in pro rata to their shareholdings. Immediately prior to the Reorganization, the registered capital of the Predecessor was RMB1,300,000,000 and was 92.5% owned by Zhongru Investment and 7.5% owned by Qianbao Investment.

As advised by the Company's PRC legal advisors, Jia Yuan Law Offices, pursuant to the confirmation from Baoding SASAC, we have obtained all the necessary approvals from, and have duly filed with competent PRC government authorities with respect to the establishment, restructuring, equity transfers, capital increases and other major processes of the Predecessor.

REORGANIZATION

Prior to the Reorganization, our Company held, directly or indirectly, certain assets and equity interests in 62 first-tier entities and their respective subsidiaries, among which certain assets and entities, together with their respective subsidiaries, were engaged in businesses other than our principal business or were no longer in actual business operation or were not in line with the development strategy and needs of the Group in the future.

The corporate chart below illustrates the shareholding structure of the Company and its subsidiaries immediately prior to the Reorganization:



Note:

(1) Immediately prior to the Reorganization, the Group also held indirect interests in several subsidiaries through its first-tier subsidiaries set out in the above table.

Business Restructuring

Commencing from December 2016, for the purpose of focusing on the primary businesses of construction contracting and other businesses, our Group disposed of 26 entities (the "**Excluded Entities**") and undertook a series of business restructurings.

The Excluded Entities were either not in actual operation, or were engaged in businesses other than the Group's principal business, or were not in line with the development strategy and business needs of the Group in the future. We disposed of them to improve our corporate structure and to better utilize our resources for our core business. Among these Excluded Entities:

1) Four entities (i.e. Hebei Construction Group Heilongjiang Construction Engineering Co., Ltd. (河北建設集團黑龍江建築工程有限公司), Hebei Construction Group Liaoning Engineering Co., Ltd. (河北建設集團遼寧工程有限公司), Tangshan Haigang Zhongcheng Investment Construction Co., Ltd. (唐山海港中誠投資建設有限公司) and Dingzhou Zhongzhou Environmental Technology Co., Ltd. (定州市中洲環保科技有限公司)) were neither in actual business operation since their incorporations nor expected to commence any actual business operation or investment in the near future according to their development strategy. As such, we disposed of these four entities to our Controlling Shareholders and/or Independent Third Parties so as to streamline and simplify our corporate structure.

2) Zhongwei Construction Engineering Co., Ltd. (中為建築工程有限公司) ("**Zhongwei Construction**") was a limited liability company engaged in construction contracting in Hebei Province and had obtained four first-grade qualifications of general contracting. In early 2017, our Company was approached by an Independent Third Party for acquiring Zhongwei Construction. Having considering that (1) the disposal would provide the Company with recoup of investment based on fair and reasonable terms and conditions and help to streamline and simplify our corporate structure; and (2) due to our Group's dominant market position in Hebei Province and sufficient superior qualifications we owned for general contracting, our Group's business strengths and advantageous market position would not be significantly affected by the disposal of Zhongwei Construction, we believes the disposal is in the best interests of our Company and Shareholders as a whole.

3) Hebei Zhongzhou Water Investment Co., Ltd. (河北中洲水務投資股份有限公司, together with its subsidiaries, "**Zhongzhou Water Group**"), is a water treatment group we developed under PPP model. Throughout the Reorganization, we had been negotiating with an Independent Third Party to dispose of Zhongzhou Water Group as an exit mechanism after completion of the construction phase. Having considered that (i) the operation of Zhongzhou Water Group required expertise in the industry and additional management costs from our Group; and (ii) we could receive a considerable amount of cash inflow through the disposal based on fair and reasonable terms and conditions, our Company believes that the disposal of Zhongzhou Water Group was in line with our exit mechanism of PPP projects for better utilization and allocation of capital and was for the benefits of our Company and our Shareholders as a whole. For details of the exit mechanism of PPP projects, see "Business".

4) Two entities, namely Baoding Tianli and Hebei Tianbo Construction Technology Co., Ltd. (河北天博建設科技有限公司, together with its subsidiary, "**Hebei Tianbo Group**"), were engaged in, among others, provision of labor services, surveying and quality inspections for building constructions. Having considered the differences in business nature, business focus, industry trend and required knowledge and expertise of management between the Group and these entities, as well as the fact that the Group and these entities can and will seek cooperations with other Independent Third Party partners in an open market, our Company believes that it is more efficient for management of our Group to exclude these entities from our Group and that our business needs will not be affected by such disposals. Baoding Tianli and Hebei Tianbo Group have been providing, and will continue to provide, certain services to the Group during its ordinary course of business. For details, see "Connected Transactions".

Below are the steps taken by us for the Reorganization.

1. *Disposal of Certain Assets, Liabilities and Entities*

1) Transfer of Assets, Liabilities and Equity Interests in Certain Entities to the Controlling Shareholders and Their Subsidiaries

On December 1, 2016, as part of the Reorganization, Zhongming Zhiye was established by the Company as a limited liability company in the PRC, primarily engaged in investment holding. On January 5, 2017, the Company, Zhongru Investment, Qianbao Investment and Zhongming Zhiye entered into a reorganization agreement (the "**Reorganization Agreement**") in relation to the Reorganization. The parties to the Reorganization Agreement agreed on, among others, that:

- The Company transferred 92.5% and 7.5% of its equity interests in Zhongming Zhiye to Zhongru Investment and Qianbao Investment, respectively, at the consideration equal to its capital contribution[(1)].

- The Company and/or its subsidiaries transferred certain assets, liabilities, all or part of their equity interests held in 20 entities (18 directly owned entities and 2 indirectly owned entities, "**disposed entities**"), ranging from 10% to 100%, to Zhongming Zhiye or its subsidiaries. Such entities, together with their respective subsidiaries, are engaged in businesses including but not limited to: (i) processing, wholesale, retail of agricultural products, research and development and promotion of agricultural technology and development of eco-tourism; (ii) subcontracting of labor services; (iii) design, construction, installation and maintenance of heat supply and heat engineering; (iv) provision of ancillary services for construction, such as engineering surveying, cadastral surveying and mapping, and inspection of construction quality; (v) construction of landscape projects; (vi) development of environmental protection technology and construction, management and maintenance of green industrial parks; and (vii) project investment, investment management and consultation, corporate management consultation and marketing planning. As of the Latest Practicable Date, all of the considerations (equal to their respective capital contribution/book value[(1)]) of the above transfers have been settled in cash.

Note: (1) The considerations set out under the Reorganization Agreement refer to their respective amounts as of the base dates, being (a) November 30, 2016; or (b) the date of the Reorganization Agreement for subject entities incorporated after November 30, 2016.

- Since certain disposed entities held equity interests in certain retained subsidiaries of the Company before the Reorganization, such disposed entities transferred their respective equity interests in retained subsidiaries back to the Company at the considerations equal to their respective capital contribution[(1)]. In addition, to streamline the Group's shareholding structure, Zhongru Investment transferred its equity shares in a retained subsidiary back to the Company at the consideration equal to its capital contribution[(1)].

- Furthermore, Zhongru Investment, Qianbao Investment and Zhongming Zhiye have irrevocably undertaken, among others, to indemnify in favor of the Group for certain matters in relation to the Reorganization. For details, see "Appendix VII – Statutory and General Information – 4. Other Information – A. Indemnity".

As of the Latest Practicable Date, the above transfers have been duly completed.

2) Transfer of Equity Interest in Certain Entities to Independent Third Parties

From December 2016 to May 2017, our Company and/or its subsidiaries entered into separate equity transfer agreements with Independent Third Parties and transferred all or part of their equity interests held in seven entities, ranging from 0.0086% to 51%, to such Independent Third Parties. Such entities, together with their respective subsidiaries, are engaged in businesses including but not limited to: (i) construction contracting, project management and related technology services; (ii) management and maintenance of expressways; (iii) research and development of new energy sources and research and development, manufacturing, processing and sales of food; (iv) granting of small loans; (v) project investment; and (vi) banking businesses including deposits, loans and domestic settlement services. As of the Latest Practicable Date, all of the considerations (equal to their respective capital contribution/registered capital) of the above transfers have been settled in cash.

As of the Latest Practicable Date, the above transfers have been duly completed.

3) De-registration of Certain Entities

From February 2017 to June 2017, our Company de-registered seven entities which were no longer in actual business operation or were not in line with the development strategy and needs of the Group in the future. As of the Latest Practicable Date, all of the above de-registrations have been duly completed.

Note: (1) The considerations set out under the Reorganization Agreement refer to their respective amounts as of the base dates, being (a) November 30, 2016; or (b) the date of the Reorganization Agreement for subject entities incorporated after November 30, 2016.

2. Properties, Assets and Guarantee

Upon completion of the transfer of our equity interests in the above 26 entities and assets, the properties and other assets were no longer owned by our Group. As a result of the equity transfers, outstanding guarantee arrangements within the Group prior to the Reorganization constitute guarantee arrangements between the Group and the Controlling Shareholders and their subsidiaries. All amounts of a non-trade nature due to the Controlling Shareholders by us have been settled, and all guarantees provided to us by the Controlling Shareholders and/or its close associates have been released as of the Latest Practicable Date.

Upon completion of the de-registration of the above seven entities, all properties and other assets owned by these entities were liquidated.

3. Employees

Upon completion of the transfer of our equity interest in the above 26 entities and upon completion of the de-registration of the above seven entities, the employees who entered into employment contracts with these entities were no longer employees of our Group, and their salaries and social benefits were no longer paid by our Group.

Conversion into a Joint Stock Company

Pursuant to the promoters' agreement entered into between Zhongru Investment and Qianbao Investment on March 28, 2017, and upon approvals by the shareholders' general meeting held on March 31, 2017, our Company was converted into a joint stock company with limited liability on April 7, 2017.

The shareholding structure of our Company upon the above conversion is set out below:

Name of promoter	Number of shares held	Percentage of shareholding	Amount of Capital Contribution	Method of capital contribution
		(%)	*(RMB)*	
Zhongru Investment	1,202,500,000	92.5	1,202,500,000	By conversion of net assets as of January 31, 2017 audited by a local audit firm into shares
Qianbao Investment	97,500,000	7.5	97,500,000	By conversion of net assets as of January 31, 2017 audited by a local audit firm into shares
Total	**1,300,000,000**	**100**	**1,300,000,000**	

The details of our promoters are set out below:

- Zhongru Investment is a joint stock company with limited liability established in the PRC on August 2, 2010. As of the Latest Practicable Date, the registered capital of Zhongru Investment was RMB231,000,000; 43.63% of equity interests of Zhongru Investment was held by Qianbao Investment, and the remaining 56.37% was held by 119 individuals who are all employees of the Predecessor or our Company and whose respective shareholding percentages ranged from around 0.22% to 2.16%. Zhongru Investment is primarily engaged in investment and investment management, and is a Controlling Shareholder of the Company.

- Qianbao Investment is a company with limited liability established in the PRC on April 19, 2010. As of the Latest Practicable Date, the registered capital of Qianbao Investment was RMB50,000,000. The equity interests of Qianbao Investment were held as to 90% by Mr. Li Baoyuan and 10% by Mr. Li Baozhong, respectively. Qianbao Investment is primarily engaged in investment management and is a Controlling Shareholder of the Company.

As a result of our conversion into a joint stock company with limited liability and the Reorganization, our Company is currently under the process of notifying the counterparties to the business contracts we entered into. Our Directors believe that there are no substantial obstacles against the completion of the abovementioned processes relating to such contracts, and that the Group's business and financial conditions will not be adversely affected.

Save as disclosed above, as advised by the Company's PRC legal advisors, Jia Yuan Law Offices, we have obtained all the necessary approvals from, and have duly filed with competent PRC government authorities with respect to the Reorganization. The Reorganization complies with all applicable laws, rules and regulations in the PRC.

For details of the shareholding structure of the Group immediately after the completion of the Reorganization, see "– Corporate Structure" under this section.

OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, our Company had 59 directly and indirectly owned subsidiaries, of which five of our first-tier subsidiaries principally affected the results, assets, liabilities or businesses of the Group (the "**Principal Subsidiaries**"). Details of our Principal Subsidiaries are set out below:

1. HCG Tianchen Construction Engineering

HCG Tianchen Construction Engineering was established as a limited liability company in the PRC on December 26, 1997, and is primarily engaged in building construction and public works.

As of the Latest Practicable Date, the registered capital of HCG Tianchen Construction Engineering was RMB230,000,000, which was owned as to 86.96% by the Company and 13.04% by Baoding Zhongcheng, a subsidiary of the Company, respectively.

2. HCG Decoration Engineering

HCG Decoration Engineering was established as a limited liability company in the PRC on January 6, 1998, and is primarily engaged in decoration engineering, design of decoration engineering and sales of decorative materials.

As of the Latest Practicable Date, the registered capital of HCG Decoration Engineering was RMB101,000,000, which was 100% owned by the Company.

3. HCG Zhuocheng Road and Bridge Engineering

HCG Zhuocheng Road and Bridge Engineering was established as a limited liability company in the PRC on January 6, 1998, and is primarily engaged in construction of roads and bridges and public works.

As of the Latest Practicable Date, the registered capital of HCG Zhuocheng Road and Bridge Engineering was RMB105,000,000, which was owned as to 95.24% by the Company and 4.76% by Baoding Zhongcheng, a subsidiary of the Company, respectively.

4. HCG Installment Engineering

HCG Installment Engineering was established as a limited liability company in the PRC on August 10, 2004, primarily engaged in installation engineering.

As of the Latest Practicable Date, the registered capital of HCG Installment Engineering was RMB180,000,000, which was owned as to 61.11% and 38.89% by the Company and Baoding Zhongcheng, a subsidiary of the Company, respectively.

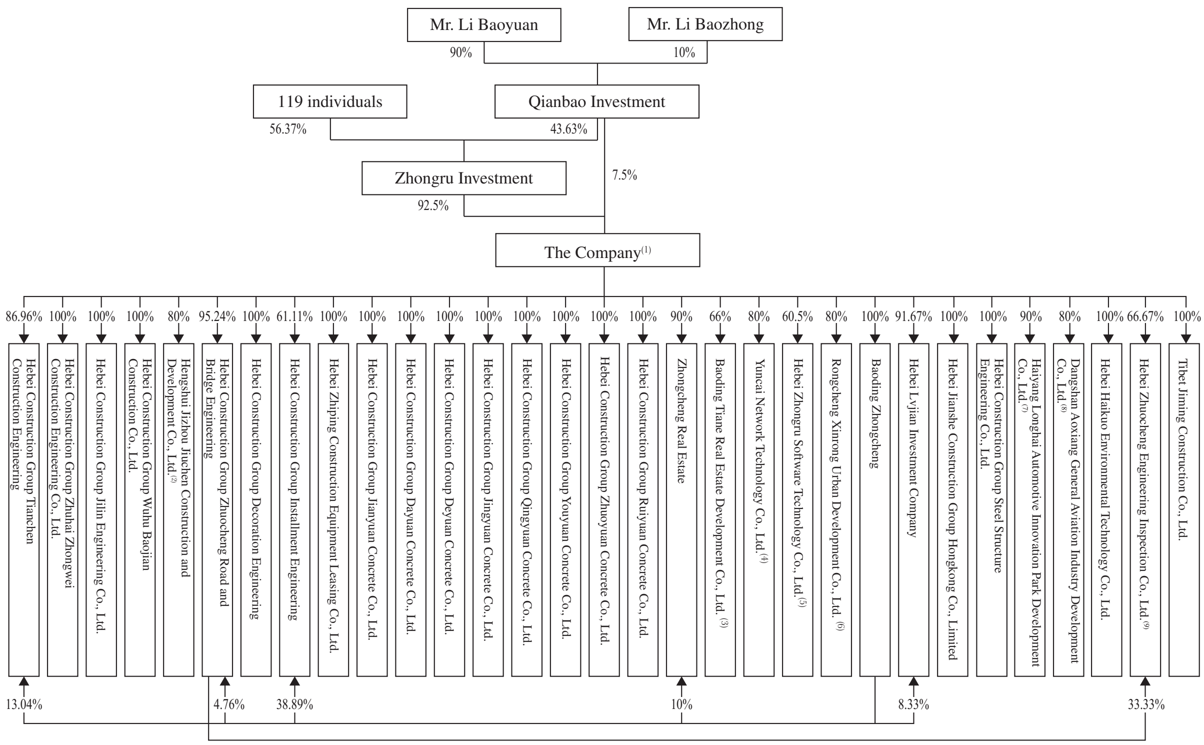
5. Zhongcheng Real Estate

Zhongcheng Real Estate was established as a limited liability company in the PRC on August 4, 1992, and is primarily engaged in real estate development business.

As of the Latest Practicable Date, the registered capital of Zhongcheng Real Estate was RMB200,000,000, which was owned as to 90% by the Company and 10% by Baoding Zhongcheng, a subsidiary of the Company, respectively.

CORPORATE STRUCTURE

The chart below illustrates the shareholding structure of our Group immediately after the completion of the Reorganization and immediately prior to the Global Offering:



(1) Immediately after the Reorganization and immediately prior to the Global Offering, the Company also held indirect interests in 28 subsidiaries through first-tier subsidiaries as shown in the above chart.

(2) The remaining 20% equity interest of Hengshui Jizhou Jiuchen Construction and Development Co., Ltd. (衡水市冀州區九辰建設開發有限公司) was held by Hengshui Xindu Urban Construction Investment Co., Ltd. (衡水市信都城市建設投資有限公司), which is an Independent Third Party.

(3) The remaining 34% equity interest of Baoding Tiane Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司) was held by Hi-tech Fiber Group Corporation (恒天纖維集團有限公司), which is an Independent Third Party.

(4) The remaining 20% equity interest of Yuncai Network Technology Co., Ltd. (雲采網絡技術有限公司) was held by Beijing TsingTech Reachway Software Co., Ltd. (北京清科銳華軟件有限公司), which is an Independent Third Party.

(5) The remaining 39.5% equity interest of Hebei Zhongru Software Technology Co., Ltd. (河北中儒軟件科技股份有限公司) was held by 32 individuals including Liu Xueping (劉雪萍), and the largest shareholding for a single shareholder is 11.75%. These shareholders are Independent Third Parties.

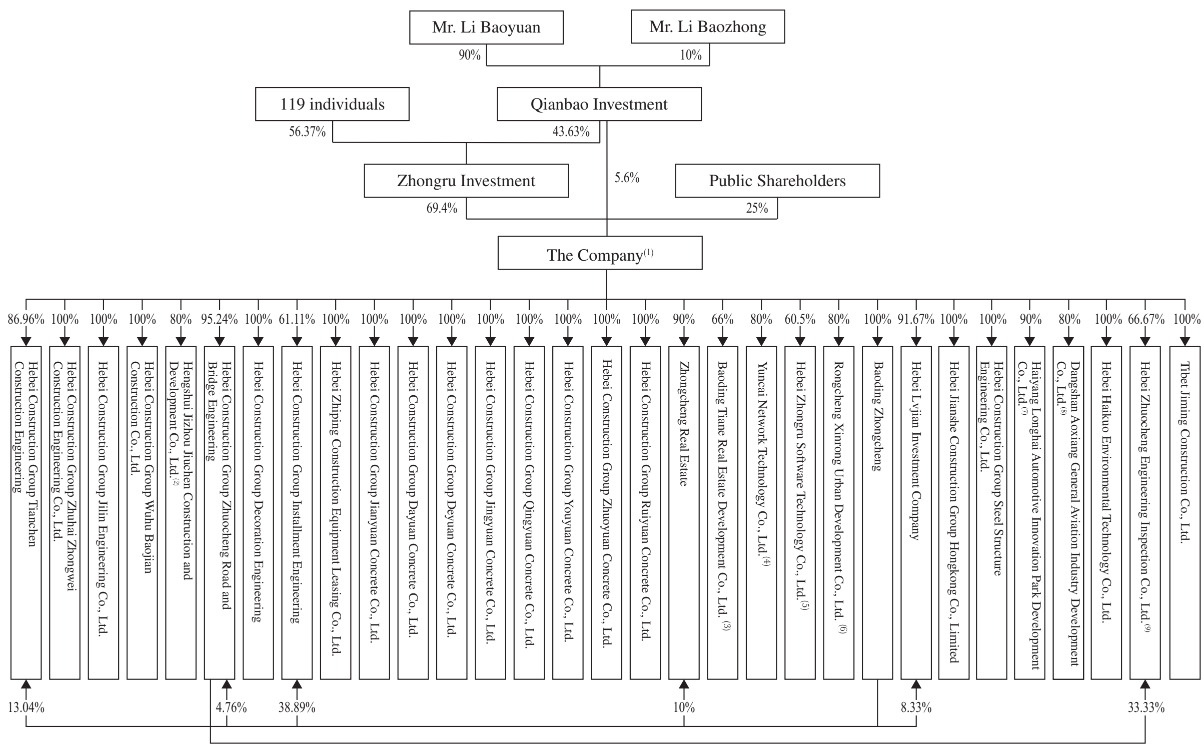
(6) The remaining 20% equity interest of Rongcheng Xinrong Urban Development Co., Ltd. (容城縣鑫融城市發展有限公司) was held by Rongcheng Hengda Construction Investment Co., Ltd. (容城縣恒達建設投資有限公司). As of the Latest Practicable Date, the Company held 29% shares in Rongcheng Hengda Construction Investment Co., Ltd. (容城縣恒達建設投資有限公司).

(7) The remaining 10% equity interest of Haiyang Longhai Automotive Innovation Park Development Co., Ltd. (海陽市隆海汽車創新園發展有限公司) was held by Haiyang Blueocean Investment Co., Ltd. (海陽市藍海投資有限公司), which is an Independent Third Party.

(8) The remaining 20% equity interest of Dangshan Aoxiang General Aviation Industry Development Co., Ltd. (碭山翱翔通用航空工業發展有限公司) was held by Dangshan County Construction Investment Co., Ltd. (碭山縣建設投資有限公司), which is an Independent Third Party.

(9) The remaining 33.33% equity interest of Hebei Zhuocheng Engineering Inspection Co., Ltd. (河北卓誠工程檢測有限公司) was held by HCG Zhuocheng Road and Bridge Engineering, which is a subsidiary of the Company.

The chart below illustrates the shareholding structure of our Group immediately after the completion of the Global Offering (assuming no Over-allotment Option is exercised):



(1) Immediately after the completion of the Global Offering (assuming no Over-allotment Option is exercised), the Company also held indirect interests in 28 subsidiaries through first-tier subsidiaries as shown in the above chart.

(2) The remaining 20% equity interest of Hengshui Jizhou Jiuchen Construction and Development Co., Ltd. (衡水市冀州區九辰建設開發有限公司) was held by Hengshui Xindu Urban Construction Investment Co., Ltd. (衡水市信都城市建設投資有限公司), which is an Independent Third Party.

(3) The remaining 34% equity interest of Baoding Tiane Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司) was held by Hi-tech Fiber Group Corporation (恒天纖維集團有限公司), which is an Independent Third Party.

(4) The remaining 20% equity interest of Yuncai Network Technology Co., Ltd. (雲采網絡技術有限公司) was held by Beijing TsingTech Reachway Software Co., Ltd. (北京清科銳華軟件有限公司), which is an Independent Third Party.

(5) The remaining 39.5% equity interest of Hebei Zhongru Software Technology Co., Ltd. (河北中儒軟件科技股份有限公司) was held by 32 individuals including Liu Xueping (劉雪萍), and the largest shareholding for a single shareholder is 11.75%. These shareholders are Independent Third Parties.

(6) The remaining 20% equity interest of Rongcheng Xinrong Urban Development Co., Ltd. (容城縣鑫融城市發展有限公司) was held by Rongcheng Hengda Construction Investment Co., Ltd. (容城縣恒達建設投資有限公司). As of the Latest Practicable Date, the Company held 29% shares in Rongcheng Hengda Construction Investment Co., Ltd. (容城縣恒達建設投資有限公司).

(7) The remaining 10% equity interest of Haiyang Longhai Automotive Innovation Park Development Co., Ltd. (海陽市隆海汽車創新園發展有限公司) was held by Haiyang Blueocean Investment Co., Ltd. (海陽市藍海投資有限公司), which is an Independent Third Party.

(8) The remaining 20% equity interest of Dangshan Aoxiang General Aviation Industry Development Co., Ltd. (碭山翱翔通用航空工業發展有限公司) was held by Dangshan County Construction Investment Co., Ltd. (碭山縣建設投資有限公司), which is an Independent Third Party.

(9) The remaining 33.33% equity interest of Hebei Zhuocheng Engineering Inspection Co., Ltd. (河北卓誠工程檢測有限公司) was held by HCG Zhuocheng Road and Bridge Engineering, which is a subsidiary of the Company.

THE PARTY COMMITTEE

According to The Constitution of the Communist Party of China, the Company has established the Committee of Communist Party of Hebei Construction Group Corporation Limited (the "**Party Committee**"), which plays a core political role in the Company. The Party Committee mainly assumes the following duties and responsibilities:

- ensuring and supervising the implementation of national policies and strategies and the Communist Party of China, and supporting major decisions made by Central Committee of the Communist Party of China and the State Council, as well as the work deployment of relevant state ministries and higher Party organizations.

- insisting on the integration of the principle of management of cadres by the Party with the function of the Board in the lawful selection of the operation management and with the lawful exercise of authority of appointment, promotion and demotion of personnel by the management, considering and advising on the candidates nominated by the Board or the president, and evaluating candidates for directors and presidents with the Board and putting forth opinions and suggestions.

- researching and discussing on issues relating to the Company's stable reform and development, major business management and operation matters and matters relating to employees' interest as a whole, advising on decision-making of major issues of the Company, and giving prime attention to unity in thinking, leading in trend, grasping the big picture and planning on development.

- leading the ideological and political education work, promoting cultural and ideological progress of the Company, enhancing corporate culture construction and talent cultivation, and guiding and supporting the work of labor union and the communist youth league of the Company, and leading the Company in building an honest and clean Party and supporting the supervisory work conducted by the discipline inspection commission.

OVERVIEW

We are a leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. According to Frost & Sullivan, in terms of revenue in 2016, we were the largest non-state owned construction company in the Beijing-Tianjin-Hebei Region and the second largest non-state owned construction company in China. Home to over 100 million people and contributing over one-tenth of China's GDP in 2016, the Beijing-Tianjin-Hebei Region has a vibrant, open and innovative economy, and is one of the key engines of China's economic growth. Rooted in Hebei Province for 65 years, we are well-positioned to benefit from the coordinated development of the Beijing-Tianjin-Hebei Region, a national strategy of China.

We are principally engaged in the following businesses:

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

- **Other businesses.** We also engage in property development, property management and other businesses.

Our total revenue increased from RMB24,859.1 million in 2014 to RMB38,609.4 million in 2016, representing a CAGR of 24.6% from 2014 to 2016 and our total revenue increased by 7.7% from RMB18,589.8 million in the six months ended June 30, 2016 to RMB20,027.6 million in the same period in 2017. Our profit for the year increased from RMB351.3 million in 2014 to RMB813.6 million in 2016, representing a CAGR of 52.2% from 2014 to 2016. Our net profit from continuing operations increased by 44.0% from RMB328.5 million in the six months ended June 30, 2016 to RMB472.9 million in the same period in 2017.

COMPETITIVE STRENGTHS

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

We are well-recognized in the industry for our outstanding performance in construction quality, safety and innovation.

We were the largest non-state owned construction company in the Beijing-Tianjin-Hebei Region and the second largest non-state owned construction company in China in terms of revenue in 2016, according to Frost & Sullivan. In 2014, 2015, 2016 and the six months ended June 30, 2017, our revenue generated from the Beijing-Tianjin-Hebei Region represented 62.4%, 60.2%, 64.5% and 64.1% of our total revenue from construction contracting business, respectively. By leveraging our industry expertise, track record of construction projects and solid customer relationships, we have been able to capture growth opportunities in the construction market of the Beijing-Tianjin-Hebei Region and expand into other regions in China. According to Frost & Sullivan, in 2016, our revenue from construction contracting business accounted for 6.9%, 2.0% and 0.2% of the output value of the construction industry in Hebei Province, the Beijing-Tianjin-Hebei Region, and China, respectively. In 2017, we were ranked

366th among the "Top 500 Enterprises in China" by the China Enterprise Confederation and the China Enterprise Directors Association and in 2017, we ranked 20th among the "Top 80 Contractors in China" according to the Construction Times.

We have won numerous awards for achieving high standards in construction quality, safety and innovation. We have won 18 Lu Ban Awards, the highest and most prestigious award given by the MOHURD for construction quality excellence. We were among the first to win the Gold Award for Outstanding Contribution for Launching of Lu Ban Award winning construction in 2012 and were accredited "An Entity of Outstanding Contribution for Launching of Lu Ban Award Winning Construction" in 2017. In terms of the number of Lu Ban Awards won from 2011 to 2016, we ranked first among all construction companies in Hebei Province, and all non-state owned construction companies in the Beijing-Tianjin-Hebei Region, according to Frost & Sullivan. We have won three Tien-yow Jeme Civil Engineering Prize, the highest and most prestigious award given by the China Civil Engineering Society in the civil engineer industry. We are also the only construction company in Hebei Province that has won the National Quality Award, the highest and most prestigious award for quality management. The expansion of the Hohhot Baita International Airport that we undertook has been recognized as the "100 Classic and Quality Projects in the 60 Years since the Founding of the PRC."

We are well-positioned to benefit from the national policies of coordinated development of the Beijing-Tianjin-Hebei Region and the establishment of the Xiong'an New Area.

Rooted in Hebei Province for 65 years, we are well-positioned to benefit from the national strategy of the coordinated development of Beijing-Tianjin-Hebei Region. The Beijing-Tianjin-Hebei Region is home to over 100 million people and contributes one-tenth of China's GDP, which was approximately US$11.4 trillion in 2016, according to estimates by the International Monetary Fund. In 2011, the PRC government proposed to strengthen the economic coordination within the Beijing-Tianjin-Hebei Region, and further 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, environment protection, public services and integrated markets in this region, as well as the migration of certain "non-capital functions" of Beijing to its neighboring areas. This strategy is expected to boost the economic and social development of Hebei Province and Tianjin.

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. In addition, Hebei Province has planned to invest approximately RMB100 billion to upgrade its transportation infrastructure in 2017 and to build 30 airports for general aviation in the coming years. In the meantime, the coordinated development of the Beijing-Tianjin-Hebei Region is expected to accelerate the region's urbanization and population mobility. According to Frost & Sullivan, the urbanization rate in the Beijing-Tianjin-Hebei Region is expected to increase from approximately 62.5% in 2015 to 71.4% in 2021, and the urbanization rate in Hebei Province is expected to increase from approximately 51.3% in 2015 to 62.1% in 2021. The increase of the urbanization is expected to effectively promote the development of the building construction and infrastructure construction in this region.

Baoding, where we are headquartered, is designated as one of the core cities of the coordinated development of the Beijing-Tianjin-Hebei Region. According to the 13th Five-Year Plan for Economic and Social Development of Hebei Province, the Baoding plain area will take advantage of its unique geographical advantages to enhance its ability to undertake the migration of certain “non-capital functions” and the transfer of certain industries from Beijing and Tianjin. The goal is to transform Baoding into a core area of the synergistic development of Beijing, Tianjin and Baoding, and making Baoding the new growth engine of Hebei Province with strong innovation ability and upgraded industry structure.

In particular, following the establishment of the Shenzhen Special Economic Zone and the Shanghai Pudong New Area, the PRC government has further announced in April 2017 to create the Xiong’an New Area as one of the key steps of the coordinated development of Beijing-Tianjin-Hebei Region, which the PRC government credits as a strategy crucial for a millennium to come. The Xiong’an New Area spans the counties of Xiongxian, Rongcheng and Anxin, all of which are affiliated to Baoding. The development of the Xiong’an New Area is expected to start from an area covering over 100 square kilometer, gradually developing to an area encompassing over 200 square kilometer in the medium term and expanding to an area governing over 2,000 square kilometer in the long term. The establishment of the Xiong’an New Area is anticipated to play an important role in the migration of the “non-capital functions” of Beijing. We expect this development to bring significant investments in infrastructure and building construction sectors in this region. According to Frost & Sullivan, fixed-assets investment in the Xiong’an New Area is estimated to exceed RMB400 billion in the next five years.

As the largest non-state owned construction company in the Beijing-Tianjin-Hebei Region, which is headquartered in Baoding, our long history of development in this region and resourceful customer relations have contributed to our unique geographical advantage. We have been conducting business in the region where the Xiong’an New Area is located for a long term. During the Track Record Period, we have established a valuable strategic cooperation relationship with local governments and completed several construction projects in this area, including roads, water supply/treatment facilities, pipeline network and public works buildings, etc. In the meantime, we partnered with local government in the Xiong’an New Area to set up three joint ventures with the aim to undertake infrastructure construction projects in this region, which gives us the first-mover advantages to benefit from the opportunities brought by the establishment of the Xiong’an New Area.

Our unique corporate culture and characteristics fostered over our 65 years of development allowed us to provide long-term quality services to our clients.

Founded in 1952, we commenced our operations as one of the earliest construction companies in Baoding. In the early 2000s, we engaged in a series of restructurings that transformed us from a state-owned enterprise into a non-state owned enterprise. As a result, we have acquired the flexibility and efficiency that are typically associated with non-state owned enterprises, while retaining the management rigor, credit-worthiness and emphasis on corporate social responsibility that are typically associated with state-owned enterprises. We are committed to the “spirit of the craftsmanship” and providing high-quality construction contracting services, and have developed “Hebei Construction” as one of the most trusted brands in the industry.

Our "harmonious home, responsible people" corporate culture, which emphasizes the family and humanistic values and customer centric spirit and are rooted in the traditional Confucian thoughts, is fostered in our 65 years of development. We believe our corporate culture has been and will remain one of the key factors for our success. We strive to build our organization into a place where our employees treat one another with mutual respect and collegiality and are motivated not only by material gains but also by a sense of belonging. We endeavor to foster a cohesive and ethical environment where our employees learn and grow together at work. In addition, we adopt a flexible incentive mechanism and provide our employees with room for advancement, which, combined with our "harmonious home, responsible people" corporate culture, have helped attract our large professional talent pool, maintain the stability of our middle and senior management and sharpen our competitive edge in the market. As of June 30, 2017, over 90% of our senior management joined us immediately after graduation, and on average, they have been working with us for over 21 years. The stability of our management greatly expedites our internal decision-making and improves our management efficiency.

Leveraging our unique "harmonious home, responsible people" culture, we have built a strong management team and professional talent pool. Our senior management team, comprising professionals with extensive technical and industry experience, has a proven record of successfully operating and expanding our business.

Mr. Li Baozhong, chairman of our Board, has 24 years of experience in corporate management and construction engineering industry while forging strong relationships with key customers. Mr. Li has received numerous awards and recognitions for his entrepreneurship and industry expertise, including being awarded the "Model Worker of Hebei Province" by the People's Government of Hebei Province in April 2014, the "Model Worker of Baoding" by the People's Government of Baoding, the "National Excellent Worker in Construction Industry" by China Construction Industry Association in October 2016 and the "Quality Award of Hebei Government" by the People's Government of Hebei Province in June 2017. Mr. Shang Jinfeng, our President, has over 19 years of experience in construction engineering industry and corporate management. Mr. Shang has been awarded the "Excellent Enterprise Manager in Construction Industry" by Hebei Building Industry Association for five consecutive years from 2012 to 2016. Each of Ms. Liu Shuzhen, a vice President and our Chief Economic Officer, Mr. Liu Yongjian, a vice President and the person in charge of production safety and Mr. Gao Qiuli, a vice President and our Chief Engineer, has over 27, 32, and 36 years of experience in construction engineering industry and corporate management, respectively. They have been recipients of numerous recognitions, and Mr. Gao was awarded the Second-class Award for National Technology Improvement Award from the State Council of the PRC in December 2011. The above-mentioned members of senior management all have obtained the qualifications of senior engineer (the highest level of engineering technical title) and Class A Constructor License (the highest qualification level of certified constructor), and joined us immediately after graduation and served until now. For more information, see "Directors, Supervisors and Senior Management." As of June 30, 2017, we had over 800 Class A Constructor License holders, who typically serve as managers of our construction contracting projects. We also had 62 professor-level senior engineers and seven experts receiving the special allowance of the State Council or provincial governments. We believe that our senior management team and our personnel possess the skills, technical expertise, in-depth industry knowledge and extensive business networks in China required for our continued success.

Our overarching goal is to be "an enterprise with awareness, a legal person with character" (有思想的企業，有人格的法人), and in "character" we mean integrity and ethical conduct. We are customer-centric and provide our customers with quality services. With our excellent project quality and high-quality customer service, we have won the trust of our customers, which is crucial to enhancing our customers' loyalty, expanding our customer base and maintaining long-term growth of our performance. Most of our key customers have cooperated with us for multiple times, and our longest cooperation with existing customers has exceeded 30 years. During the Track Record Period, we had over 600 customers to whom we have provided services in two or more projects.

With a broad range of qualifications and a growing and optimizing business mix, we 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 the construction contracting industry, covering the majority of construction categories. As of June 30, 2017, our construction contracting qualifications include one premium grade qualification, 19 first grade qualifications, 12 second grade qualifications and seven third grade qualifications. These qualifications cover seven out of the 12 types of general contracting qualifications, and 17 out of the 36 types of specialized contracting qualifications in the construction contracting industry, allowing us to undertake a variety of construction projects. In particular, our Premium Class Qualification in general building construction is the highest qualification that can be awarded to a building construction general contractor. This is a qualification that will only be awarded to those contractors who can meet the high standards of project management experience, technological capabilities and scale of operations. With our broad range of qualifications, we are able to bid for and undertake an expansive portfolio of projects and to focus on emerging market opportunities created by the continued development of the building and infrastructure construction industries. This allows us to diversify our operations, provide integrated solution to our customers and ensure our sustainable development.

Leveraging our comprehensive and growing portfolio of services, we have a broad prospect of development. Our construction contracting business covers residential, public, industrial and commercial buildings, municipal and transportation infrastructure such as ports and railways, as well as specialized construction areas such as electrical and mechanical installation and steel structure construction. While building construction has been our core business, we have identified infrastructure construction as our strategic growth areas, and our revenue from infrastructure construction increased from RMB5,716.9 million in 2014 to RMB6,732.0 million in 2015, and further increased to RMB12,198.8 million in 2016. Our revenue from infrastructure construction increased from 22.8% in 2014 to 24.7% in 2015, and further increased to 31.2% of total revenue from construction contracting business in 2016. Our profit margin continues to rise with the continued optimization of our business mix.

China's infrastructure industry has been growing at a rapid pace, and the growth is expected to continue in the near future, driven by strong economic growth, accelerated urbanization and continued development of the less economically developed regions. Recognizing the importance of developing municipal and transportation infrastructure in sustaining the country's economic growth, the PRC government has announced a budget of RMB15 trillion for transportation infrastructure projects, including roads, bridges, ports and railways, in its 13th Five-Year Plan. Hebei Province has also planned to make significant investments in its transportation infrastructure, especially in general aviation, in response to the coordinated development of the Beijing-Tianjin-Hebei Region national strategy. We are well-positioned to capture opportunities in the rapidly growing infrastructure industry in the Beijing-Tianjin-Hebei Region and more broadly in China. As of December 31, 2014, 2015, 2016 and June 30, 2017, we had a backlog of approximately RMB9,849.1 million, RMB10,572.7 million, RMB11,207.9 million and RMB13,991.8 million for our infrastructure construction business.

We have developed a replicable management model and an extensive business network throughout China.

Since 2005, we have introduced the Performance Excellence Model to manage our business operations. The Performance Excellence Model is a widely accepted method of performance management in the world. The model is derived from the Malcolm Baldrige National Quality Award and the evaluation criteria include seven aspects: leadership, strategy, customers and markets, resources, process management, measurement and analysis, and results. Guided by the Performance Excellence Model, we continue to improve and upgrade our existing management system. By promoting the transformation of our enterprise management from a traditional system to a modern one, we have developed a replicable management model. We have the ability to replicate this performance excellence model through our business network.

We have expanded our operations to other cities in Hebei Province, Beijing and Tianjin, as well as other provinces and regions in China. We have strategically established 84 branch offices, of which 61 were within the Beijing-Tianjin-Hebei Region and 23 were in other provinces in China, to focus on developing business opportunities and managing existing projects in cities with sizeable economies and an active construction market. The business network of our branches and subsidiaries spans 31 provinces in China. As a result, we have been able to undertake an increasing number of large construction projects in recent years.

We believe that research and development is an important component of our core competitiveness, and strive to improve our ability of independent innovation, and effectively promote the transformation and upgrading of our business. As of June 30, 2017, we had successfully developed a total of 105 national-level and provincial-level construction process methodologies, as well as owned 138 patents and had 30 patent applications under review in China. National-level construction process methodologies are recognized by the MOHURD for significant and innovative construction process methodologies that have potential to generate economic value. Further, we actively participate in drafting and establishing technical specifications that form the PRC construction industry standards. For example, we have developed construction process methodologies relating to long-span structures, which strengthen our competitive advantages in construction projects such as airport terminals, stadiums and exhibition halls, and our construction process methodologies relating to curtain walls strengthen our advantages in the construction of high-rise buildings. In addition, we received the second prize of the National Science and Technology Progress Award for the research in the "analytical and design theory and key construction techniques relating to the beam-string structure system." We believe our advanced technologies and research and development capabilities have given us a competitive edge, allowing us to win construction projects through our provision of high-quality and innovative construction contracting services.

We experienced fast growth during the Track Record Period.

Leveraging the strength of our brand name, the wide coverage of our qualifications in the construction contracting industry and the broad geographical reach of our business network, in 2014, 2015 and 2016, our total revenue was RMB24,859.1 million, RMB27,215.7 million and RMB38,609.4 million, respectively, representing a CAGR of 24.6% from 2014 to 2016. During the same periods, our profit for the year was RMB351.3 million, RMB410.2 million and RMB813.6 million, respectively, representing a CAGR of 52.2% from 2014 to 2016, while our adjusted profit for the year was RMB342.6 million, RMB376.8 million and RMB719.6 million, respectively, representing a CAGR of 44.9% from 2014 to 2016. During the same periods, our return on equity was 22.3%, 19.9% and 30.9%, respectively. According to Frost & Sullivan, from 2014 to 2016, our revenue and profit for the year grew at rates higher than any of those companies which are listed on the Hong Kong Stock Exchange with a similar business scope of building construction contracting and infrastructure construction contracting, and had a revenue over RMB5.0 billion in 2016. Our proven track record has enabled us to win high-profile construction mandates, such as stadiums for the 2022 Winter Olympics and a portion of the new international airport in Beijing, and form a strong project pipeline.

We believe our success in establishing long-term and strong relationships with customers has been in large part due to our strong track record of providing high-quality, timely and safe construction contracting services. From 2014 to 2016, our new contract value increased from RMB35,335.9 million to RMB48,260.5 million, representing a CAGR of 16.9%. Our major customers include public universities, hospitals, civil aviation authorities, state-owned enterprises, government and national property development companies in China.

BUSINESS STRATEGIES

Our goal is to continue to capture greater market share in the Beijing-Tianjin-Hebei Region and elsewhere in China to further reinforce our leading position in the construction contracting industry. We aim to expand our business to the provision of municipal services, and become a leading integrated construction service provider and municipal service provider. To achieve this goal, we intend to pursue the following strategies:

Seize the opportunities brought by the national strategies of coordinated development of the Beijing-Tianjin-Hebei Region and establishment of the Xiong'an New Area to further expedite our development

We will continue to dedicate significant resources to the Beijing-Tianjin-Hebei Region, particularly the Xiong'an New Area, with the aim of further enhancing the recognition of our "Hebei Construction" brand, attracting and retaining key customers, and thereby reinforcing our leading position in this region. "Hebei Construction" has been our most valuable intangible asset and the symbol of our corporate culture. As a result, we intend to enhance our integrated brand management and strengthen our reputation as a highly capable and trustworthy construction contractor that not only creates high-quality projects, but also grows together with our customers.

Our proven track record in the Beijing-Tianjin-Hebei Region has enabled us to win high-profile mandates. We plan to further our commitment to growing our business in the Xiong'an New Area to seize the opportunity to reinforce our advantage in this area. For more information, see "Future Plan and Use of Proceeds."

Optimize our qualification portfolio and expand our business network to further improve our nationwide market share

We plan to upgrade and optimize our existing qualifications to undertake more construction projects in transportation and municipal infrastructure with larger size and higher complexity. We also plan to further strengthen our design capabilities to achieve increased integration of the construction process and enhance our market competitiveness in undertaking EPC projects so as to provide our customers with more comprehensive solutions.

Based on our existing business network, we plan to further develop and expand markets in cities along the areas covered by the "Belt and Road Initiative," including Xinjiang, Inner Mongolia, Shaanxi, Gansu and Ningxia, which are located in the northwest section of the Silk Road Economic Belt and have huge economic development potentials, by leveraging our comprehensive strength and taking advantages of our brand name. During the Track Record Period, we have undertaken infrastructure projects such as civil airport, general aviation airport and highways, and building construction projects such as power plant and border control terminal building in these regions.

We intend to achieve these goals through both organic growth and acquisitions that fit our strategic planning, such as the acquisitions of companies with high-quality business networks in cities with promising business prospective that complement our existing network. As of the Latest Practicable Date, we had not identified specific acquisition plans or targets, and had not entered into any definitive agreements with any potential targets.

Continue to improve our business mix to further enhance our profitability

Our well-established building construction business enabled us to establish and maintain business relationships with well-known customers. We intend to undertake building construction projects with higher profile and complexity or on a larger scale, and strengthen our brand name. Based on our long-term and sound relationship with local governments, we also plan to undertake more infrastructure construction projects to capture the higher profit margins that are generally associated with infrastructure projects. We prefer construction projects in areas that are favored by government policies, such as light rail transit, general aviation, water treatment, underground pipeline networks, "Green Buildings," renovation of old structures and recycling of construction wastes, to further improve our business mix and profitability.

Leveraging the investment, construction and operation experience gained from our PPP projects, we will continue to participate in PPP projects relating to infrastructure, municipal, and public works construction to obtain greater investment returns. Through our participation in the PPP projects, we aim at becoming a municipal service provider, providing utility tunnel maintenance, municipal road maintenance and management, and water supply and treatment services. We expect to use 40% of the net proceeds from this Global Offering to invest in PPP projects. For more information, see "Future Plan and Use of Proceeds."

Strengthen budget management and cost control to improve our rate of return

We believe that effective cost control measures are critical to maximizing profitability and maintaining competitiveness. We will continue to strengthen our internal controls and further integrate the internal resource allocation system to improve efficiency, resource utilization and return.

Leveraging our construction experience and accumulated data of project costs and expenditures, we aim to better tailor our preliminary project planning in the early stage of project management to achieve a more accurate project return estimates.

As a non-state owned company, we have a more efficient and more market-oriented decision-making process. We have implemented a centralized resource allocation system that allows us to reduce cost by making bulk purchases and optimize utilization of resources. Since April 2016, the vast majority of our procurements have been conducted through our Yuncai Network, a business-to-business online procurement platform that provides nationwide services to construction companies and suppliers in China. Yuncai Network offers us a centralized platform and access to a broad range of suppliers and detailed information on their capabilities and creditability, enables us to select the most qualified and suitable suppliers, and streamlines the transactional process, thereby enhancing the efficiency of our procurement efforts and reducing our procurement costs.

Strengthen engineering and technological innovation and IT capabilities to further improve our efficiency and competitiveness

We plan to bolster our commitment to the research and development of key technologies for building and infrastructure construction, and enhance our efficiency and competitiveness by keeping pace with technological development and utilizing the latest technological achievements. Our specific measures include:

- building a robust system to attract and cultivate talents, establishing the "Hebei Construction Engineering Research Institute," increasing research and development funding, and deepening cooperation with universities, research institutes, software developers and equipment manufacturers;

- leveraging the "Beijing-Tianjin-Hebei Construction Industry Modernization Alliance" we co-founded with eight partners including Tianjin University, to foster technological innovation as well as the commercialization of technology in the entire lifecycle of construction management;

- capitalizing on our research and development advantages to further develop the BIM platform, which was designed by us and industrial experts from Tongji University, and broadening its applications in the entire lifecycle of our construction projects. This platform allows us to virtually explore the planning, construction, and management of a building before it is built, which could effectively promote the refined management of our projects to improve project quality and reduce costs;

- upgrading our Yuncai Network with advanced information technology, and promoting it as a leading online and offline procurement platform for construction materials, products and services in China; and

- expanding our research and development capabilities to address urbanization needs, including prefabricated buildings, smart home technologies, smart city, cultural and sports facility construction, and energy-saving and environment-friendly solutions.

Enhance our corporate governance and human resources management by further strengthening our corporate culture

We believe our corporate culture of "harmonious home, responsible people" will continue to serve as the foundation for our future development. We plan to enhance our corporate governance and human resources management through a number of measures, including:

- further developing channels for talent recruitment, expanding our external and internal talent pool and implementing effective retaining and incentive measures;

- 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;

- encouraging employees to participate in our management and decision-making processes, and cultivating a more inclusive culture; and

- optimizing a performance-based remuneration system and incentive mechanism to provide fair and effective motivation for our employees.

OUR BUSINESS OPERATIONS

The following table sets forth the breakdown of revenue generated from our businesses for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)* (Unaudited)		*(RMB in millions)*	
Construction contracting business	25,097.5	99.4%	27,242.3	98.0%	39,176.1	97.7%	19,114.7	98.6%	19,256.9	95.2%
Other businesses	139.0	0.6	556.5	2.0	904.5	2.3	279.8	1.4	960.8	4.8
Sub-total	**25,236.5**	**100.0%**	**27,798.8**	**100.0%**	**40,080.6**	**100.0%**	**19,394.5**	**100%**	**20,217.7**	**100%**
Elimination of intersegment sales	(321.2)		(512.7)		(898.2)		(515.8)		(190.1)	
Subtotal after elimination of intersegment sales	24,915.3		27,286.1		39,182.4		18,878.7		20,027.6	
Elimination of sales between continuing and discontinued operations	(56.2)		(70.4)		(573.0)		(288.9)		–	
Total	**24,859.1**		**27,215.7**		**38,609.4**		**18,589.8**		**20,027.6**	

CONSTRUCTION CONTRACTING BUSINESS

During the Track Record Period, a substantial majority of our revenue was generated from our construction contracting business. Our construction contracting business mainly comprises building construction business, infrastructure construction business and specialized and other construction contracting business. The following table sets forth the breakdown of revenue generated from our construction contracting business by project type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)* (Unaudited)		*(RMB in millions)*	
Building construction business	**17,359.8**	**69.1%**	**18,528.8**	**68.0%**	**23,976.9**	**61.2%**	**11,469.7**	**60.0%**	**13,283.2**	**69.0%**
Residential construction	7,143.5	28.5	8,192.3	30.1	11,491.1	29.3	5,049.9	26.4	7,259.6	37.7
Public works construction	5,203.2	20.7	6,226.3	22.8	7,437.6	19.0	3,595.9	18.8	3,393.2	17.6
Industrial construction	3,673.0	14.6	2,868.8	10.5	4,089.5	10.4	2,246.5	11.8	2,150.7	11.2
Commercial construction	1,340.1	5.3	1,241.4	4.6	958.7	2.5	577.4	3.0	479.7	2.5
Infrastructure construction business	**5,716.9**	**22.8**	**6,732.0**	**24.7**	**12,198.8**	**31.2**	**6,354.6**	**33.2**	**4,636.5**	**24.1**
Municipal infrastructure construction	3,757.1	15.0	4,976.5	18.3	8,491.9	21.7	4,285.4	22.4	3,231.1	16.8
Transportation infrastructure construction	1,959.8	7.8	1,755.5	6.4	3,706.9	9.5	2,069.2	10.8	1,405.4	7.3
Specialized and other construction contracting business	**2,020.8**	**8.1**	**1,981.5**	**7.3**	**3,000.4**	**7.6**	**1,290.4**	**6.8**	**1,337.2**	**6.9**
Construction contracting business	**25,097.5**	**100.0%**	**27,242.3**	**100.0%**	**39,176.1**	**100.0%**	**19,114.7**	**100%**	**19,256.9**	**100.0%**

While our construction contracting business has a nationwide presence, we focus our business in the Beijing-Tianjin-Hebei Region, where we are headquartered. In 2014, 2015, 2016 and six months ended June 30, 2017, 62.4%, 60.2%, 64.5% and 64.1% of our revenue from construction contracting business were generated from projects in the Beijing-Tianjin-Hebei Region, respectively. By leveraging our industry expertise, track record of construction projects and solid customer relationships, we have been able to capture growth opportunities in the construction industry of the Beijing-Tianjin-Hebei Region and expand into other provinces and regions in China.

Building Construction

We provide construction contracting services for residential, public works, industrial and commercial construction projects. We undertook most of such construction projects as a general contractor. As a general contractor, we perform all the main 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 in providing 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 is on schedule. In 2014, 2015, 2016 and the six months ended June 30, 2017, we generated RMB17,359.8 million, RMB18,528.8 million, RMB23,976.9 million and RMB13,283.2 million in revenue from building construction projects, respectively, representing 69.1%, 68.0%, 61.2% and 69.0% of revenue from our construction contracting business during the same periods, respectively.

Residential Construction

Our residential construction projects primarily consist of large-scale residential properties and affordable housing. For residential construction projects, our customers primarily include property developers and local governments.

Completed Projects

We have completed the following representative residential construction projects during the Track Record Period:

- *CCCG "Palace Scenery" residential housing (phases I and II), Bazhong, Sichuan Province (四川省巴中市中交"王府景"項目一二期工程)*, which won the "Quality Structure Award" of Sichuan Province in 2014 and 2015;

- *Residential housing, General Monument and Donglin villages, Qinglong, Chenghua District, Chengdu, Sichuan Province (四川省成都市成華區青龍鄉將軍碑、東林村住宅)*, with GFA of approximately 270,000 sq.m;

- *Lvdu "Windsor Castle" residential housing, Xinzheng, Henan Province (河南省新鄭市綠都"溫莎城堡")*, which won the "Quality Structure Award" (結構優質獎) of Zhengzhou in 2015;

- *Kunlun "Yishui Manor" residential housing, Hengshui, Hebei Province (河北省衡水市昆侖怡水公館)*, which won the "Quality Structure Award" (結構優質獎) of Hebei Province in 2016;

- *Beijing Capital Land "Wanjuan Mountain" residential housing, Chengdu, Sichuan Province (四川省成都市首創萬卷山)*, which won the "Quality Structure Award" (結構優質獎) of Chengdu in 2013;

- *CFLD "Peacock Manor" residential housing (phase II), Langfang, Hebei Province (河北省廊坊市華夏幸福孔雀莊園2期)*, which won the "Quality Structure Award" (結構優質獎) of Hebei Province in 2014;

- *ENN "Diamond Garden" residential housing, Langfang, Hebei Province (河北省廊坊市新奧寶石花苑住宅小區)*;

- *Taishan Country Garden residential housing (phase V), Taishan, Guangdong Province (廣東省台山碧桂園五期幸福里)*;

- *Xinhui Country Garden residential housing (phase VI), Jiangmen, Guangdong Province (廣東省新會碧桂園六期)*;

- *Bochuang Xushui Dawangdian resettlement housing (south district), Baoding, Hebei Province (博創徐水大王店返遷安置房南區)*; and

- *Foshan Color Tube Factory residential housing (Phase I), Foshan, Guangdong Province (佛山彩管廠項目一期)*.

Projects under Construction

The following table sets forth our representative residential construction projects under construction as of June 30, 2017:

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Luogang Village resettlement community as part of the Gualv Lake Comprehensive Water Conservancy Project (掛綠湖水利綜合整治項目羅崗村安置新社區設計施工總承包)	Zengcheng, Guangdong Province	June 2015	August 2018	1,464.6	50%
Beijing Capital Land Jiaozi residential housing (首創嬌子住宅樓)	Chengdu, Sichuan Province	July 2015	December 2017	383.8	89%
Country Garden residential housing (碧桂園)	Yulin, Guangxi Province	September 2016	January 2018	330.0	29%
Hanlin Yayuan residential housing (翰林雅苑住宅區)	Beijing	April 2016	January 2018	302.7	61%
Langton Manor residential housing (蘭頓莊園)	Zhangjiakou, Hebei Province	April 2015	May 2018	293.7	85%
Lvdu Bauhinia Court residential housing and kindergarten (綠都紫荊華庭項目住宅樓、幼兒園)	Zhengzhou, Henan Province	September 2014	November 2017	276.0	58%
Country Garden residential housing (phase I) (碧桂園一期)	Guigang, Guangxi Province	April 2016	February 2018	247.2	41%
CCCG "Palace Scenery" residential housing (phase III) (中交 • 王府景項目三期)	Bazhong, Sichuan Province	September 2015	December 2017	240.8	80%

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Peacock Metro • Peak Grade residential housing (孔雀新城 • 峰景園)	Langfang, Hebei Province	May 2016	April 2019	221.5	21%
Country Garden residential housing (phase VII), Xinhui (新會碧桂園七期)	Jiangmen, Guangdong Province	March 2016	December 2018	203.4	90%

These representative projects are selected due to various reasons, such as their large size, complexity or award-wining techniques, or because the project or project owner is widely-known in China. As of June 30, 2017, our backlog of residential construction projects totaled RMB23,474.7 million, of which our representative projects set forth above accounted for 7.1%.

Public Works Construction

Our public works construction projects primarily consist of buildings for public institutions, such as libraries, hospital facilities, stadiums, theaters and museums. For public works construction projects, our customers are primarily universities, hospitals and other public institutions.

Completed Projects

We have completed the following representative public works construction projects during the Track Record Period:

- *Ordos Sports Center Natatorium, Inner Mongolia Autonomous Region (內蒙古自治區鄂爾多斯市體育中心建設項目游泳館工程)*, which won the "Lu Ban Award" (魯班獎) in 2015, "Tien-yow Jeme Civil Engineering Prize" (中國土木工程詹天佑獎) in 2017 and the "China Steel Structure Gold Award" (中國鋼結構金獎) in 2013;

- *Lee Shau-Kee Science and Technology Building of Tsinghua University, Beijing (北京清華大學李兆基科技大樓)*, which was recognized as a "Green Construction Technology Model Project" (綠色施工科技示範工程獎) by the MOHURD in 2016;

- *Hebei University Library, Baoding, Hebei Province (河北省保定市河北大學圖書館工程)*, which won the "Lu Ban Award" (魯班獎) in 2016;

- *College of Art and Design, Beijing University of Technology, Beijing (北京工業大學藝術設計學院工程)*, which won the "National Quality Project Award" (國家優質工程) in 2016;

- *Teaching Complex of Harbin Conservatory of Music, Harbin, Heilongjiang Province (黑龍江省哈爾濱市哈爾濱音樂學院教學綜合樓項目)*, which won the "Quality Structure Award" (結構優質獎) of Heilongjiang Province in 2015;

- *Relocation and construction of Xingtai Eye Hospital, Xingtai, Hebei Province (河北省邢台市眼科醫院遷建工程)*, which won the "Quality Project Award" (優質工程獎) of Hebei Province in 2015;

- *Relocation and reconstruction of Inner Mongolia Xing'an League People's Hospital, Ulanhot, Inner Mongolia Autonomous Region (內蒙古烏蘭浩特興安盟人民醫院遷址新建工程)*, which won the "Science and Technology Progress Award" (河北省土木建築學會頒發的河北省建設行業科學技術進步獎) of Hebei Province awarded by Hebei Society of Civil Engineering and Architecture in 2016;

- *Handan Passenger Transportation Terminal, Handan, Hebei Province (河北省邯鄲市客運中心主站項目)*, which won the "China Steel Structure Gold Award" (National Quality Project Award) (中國鋼結構金獎(國家優質工程)) in 2015;

- *Shijiazhuang Media Tower, Shijiazhuang, Hebei Province (河北省石家莊傳媒大廈)*, which won the "Lu Ban Award" (魯班獎) in 2017 and the "Anji Cup for Construction Engineering of Hebei Province (Provincial Quality Construction)" (河北省建設工程安濟杯獎(省優質工程)) in 2016; and

- *Clifford Hospital, Guangzhou, Guangdong Province (祈福醫院)*.

Projects under Construction

The following table sets forth our representative projects under construction as of June 30, 2017:

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Grand Theater in the "Dream Langfang" Cultural Industry Park ("夢廊坊"文化產業園 – 大劇院項目工程施工總承包)	Langfang, Hebei Province	August 2014	May 2018	737.7	90%
Guan Hanqing Grand Theater (關漢卿大劇院)	Baoding, Hebei Province	May 2011	June 2018	496.1	68%
Reconstruction in connection with the relocation of Langfang No.1 High School (廊坊一中遷建工程)	Langfang, Hebei Province	October 2016	June 2019	321.3	11%
Baoding No.1 Central Hospital Complex (第一中心醫院綜合樓)	Baoding, Hebei Province	December 2014	August 2017	316.4	96%
Children's Discovery Museum (兒童探索博物館工程)	Hohhot, Inner Mongolia Autonomous Region	August 2015	December 2018	296.7	76%
Biomedical Center and teaching and laboratory buildings of Tsinghua University (清華大學生物醫學館、教學實驗樓等)	Beijing	February 2016	March 2018	261.2	34%
Reconstruction in connection with the relocation of Tangshan Eye Hospital (唐山市眼科醫院遷址建設工程)	Tangshan, Hebei Province	September 2016	October 2018	227.6	15%

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Medical treatment complex of PLA No.155 Hospital (解放軍第一五五中心醫院醫療綜合大樓工程)	Kaifeng, Henan Province	May 2013	November 2017	222.8	99%
Xingtai Museum (邢台博物館)	Xingtai, Hebei Province	February 2016	December 2018	189.8	15%
Culture Center of Fuyang Ecological Cultural Park (滏陽生態文化公園項目文化中心綜合樓)	Hengshui, Hebei Province	December 2012	December 2017	165.2	91%
Huaneng Low-Carbon Technology R&D Center (華能山西低碳技術研發中心項目)	Taiyuan, Shanxi Province	August 2015	August 2017	165.0	86%
Chengde Children's Hospital and Chengde Maternal and Children's Health Hospital (reconstruction in connection with the relocation) (承德市兒童醫院及遷建承德市婦幼保健院)	Chengde, Hebei Province	August 2016	January 2019	147.2	32%

These representative projects are selected due to various reasons, such as their large size, complexity or award-wining techniques, or because the project or project owner is widely-known in China. As of June 30, 2017, our backlog of public work construction projects totaled RMB10,046.6 million, of which our representative projects set forth above accounted for 12.6%.

Industrial Construction

Our industrial construction projects primarily consist of factories and warehouses. For industrial construction projects, our customers are primarily industrial and manufacturing companies.

Completed Projects

We have completed the following representative industrial construction projects during the Track Record Period:

- *Ultrahigh-speed packaging units digital factory, Pudong New Area, Shanghai (上海浦東超高速包裝機組數字化工廠廠房)*, which won the "Shanghai Construction Metal Structure (Jin'gang Award)" (上海市建設工程金屬結構(金鋼獎)) in 2015;

- *Plants of OBE Group, Daxing District, Beijing (北京市歐必翼廠房)*, which won the "Silver Award of Beijing Great Wall Cup for Building Structure" (北京市結構長城杯銀質獎) in 2014;

- *Wuqing Base of the Institute of Chemistry, Chinese Academy of Sciences, Wuqing District, Tianjin (天津市中國科學院化學研究所天津武清基地項目)*;

- *Plants of Xiangyang Aviation Technology Industrial Park, Baoding, Hebei Province (保定向陽航空科技產業園製造項目廠房)*;

- *Jingkai Guanggu plants and auxiliary facilities, Beijing (北京經開光穀廠房及附屬設施)*;

- *Plants of Zhishang Center, Tianjin (智尚中心廠房)*; and

- *Comprehensive experiment and research platform for energy materials application technologies, Technical Institute of Physics and Chemistry, Chinese Academy of Sciences, Beijing (中國科學院理化技術研究所能源材料應用技術綜合試驗研究平台項目)*.

Projects under Construction

The following table sets forth our representative projects under construction as of June 30, 2017:

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Research & development and other buildings at Xiaomi Internet and Electronics Industrial Park (小米互聯網電子產業園研發及其他樓宇)	Beijing	February 2017	December 2018	278.0	27%
No. 2 research, development and production building of the Power Valley Science and Technology Center (電穀科技中心#2研發生產樓)	Baoding, Hebei Province	November 2016	December 2018	257.1	17%
Manufacturing plants for the high-efficiency ultra-thin reflectors for solar thermal power station (太陽能熱發電站高效超薄反射鏡)	Tianjin	October 2015	December 2018	192.6	38%
IC card and intelligent dispatch terminal equipment project for Tianjin Tongka Intelligent Transportation System Co., Ltd. (天津市通卡智能交通系統有限公司車載IC卡讀寫及智能調度終端設備項目)	Tianjin	January 2016	December 2017	72.1	85%
No. 1, No. 2 and No. 3 manufacturing plants of Hebei Tongguang Crystal Co., Ltd. (河北同光晶體有限公司#1、#2、#3生產廠房)	Baoding, Hebei Province	October 2016	September 2018	72.5	13%

These representative projects are selected due to various reasons, such as their large size, complexity or award-wining techniques, or because the project or project owner is widely-known in China. As of June 30, 2017, our backlog of industrial construction projects totaled RMB6,033.5 million, of which our representative projects set forth above accounted for 10.1%.

Commercial Construction

Our commercial construction projects primarily consist of shopping malls, office buildings and business centers. For commercial construction projects, our customers are primarily property developers.

Completed Projects

We have completed the following representative commercial construction projects during the Track Record Period:

- *South City Shopping Center, Beijing (北京市城南購物中心項目)*, which won the "Silver Award of Beijing Great Wall Cup for Building Structure" in 2014 (北京市結構長城杯銀質獎);

- *Fangbei Red Star Macalline Home Furniture Life Plaza, Baoding, Hebei Province (河北省保定市方北紅星美凱龍家居生活廣場)*, which won the "Quality Structure Award" (結構優質獎) of Hebei Province in 2014;

- *Tianhong City Shopping Plaza, Hengshui, Hebei Province (衡水市天鴻城市購物廣場)*, which won the "Anji Cup for Construction Engineering of Hebei Province (Provincial Quality Construction)" (河北省建設工程安濟杯獎(省優質工程)) in 2016;

- *Rongda Shopping Center, Guangzhou, Guangdong Province (廣東省廣州市融達商業中心工程)*; and

- *Star Alliance LED Lighting Central Plaza, Zhongshan, Guangdong Province (廣東省中山市星光聯盟LED照明燈飾中心廣場)*.

Projects under Construction

The following table sets forth our representative projects under construction as of June 30, 2017:

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Entrepreneur Center at Sanya International Tourist Island (三亞國際旅遊島人才創業基地)	Sanya, Hainan Province	January 2016	June 2018	1,146.9	85%
Baoneng Shopping Mall (寶能城項目)	Urumqi, Xinjiang Uygur Autonomous Region	August 2015	September 2018	299.5	66%
Tianhong Outlets (天鴻奧特萊斯)	Baoding, Hebei Province	January 2017	June 2018	239.5	38%
Junsheng Plaza (君盛廣場)	Xuzhou, Jiangsu Province	July 2015	January 2018	234.1	64%
Huiyou Joy City (惠友 • 萬悅城項目)	Baoding, Hebei Province	June 2015	September 2017	201.0	95%

These representative projects are selected due to various reasons, such as their large size, complexity or award-wining techniques, or because the project or project owner is widely-known in China. As of June 30, 2017, our backlog of commercial construction projects totaled RMB2,286.1 million, of which our representative projects set forth above accounted for 22.6%.

Infrastructure Construction Business

In addition to building construction, which has been our core business, we are also increasingly providing construction contracting services for municipal and transportation infrastructure projects, including facilities for water supply and treatment, gas and heating, urban pipelines, roads, bridges and airport runways. We undertook most of such construction projects as a general contractor. Our infrastructure construction customers are primarily local governments.

In 2014, 2015, 2016 and six months ended June 30, 2017, we generated RMB5,716.9 million, RMB6,732.0 million, RMB12,198.8 million and RMB4,636.5 million in revenue from infrastructure construction projects, respectively, representing 22.8%, 24.7%, 31.2% and 24.1% of revenue from our construction contracting business during the same periods, respectively.

Municipal Infrastructure Construction

Our municipal infrastructure projects primarily consist of urban roads, facilities for water supply and treatment, gas and heating, urban pipelines and waste treatment.

Completed Projects

We have completed the following representative municipal infrastructure construction projects during the Track Record Period:

- *Road construction of Sanrong Industrial Park, Zhaoqing, Guangdong Province (廣東省肇慶市三榕工業園區道路建設工程);*
- *Sewage Treatment Plant, Panjin, Liaoning Province (遼寧省盤錦市污水處理廠);*
- *Municipal road network, north district of Caofeidian Industrial Zone, Tangshan, Hebei Province (河北唐山曹妃甸工業區北區市政路網);*
- *Central heating peak adjustment pipe network, north district of Tangshan Bay Eco-city, Tangshan, Hebei Province (河北省唐山灣生態城北區集中供熱調峰工程管網工程);* and
- *West auxiliary road of South Shanghai Avenue, Zhengding New District, Shijiazhuang, Hebei Province (河北省石家莊市正定新區上海南大街西輔路).*

Projects under Construction

The following table sets forth our representative projects under construction as of June 30, 2017:

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Baiyangdian Avenue (白洋淀大道工程)	Baoding, Hebei Province	May 2014	December 2017	599.0	90%
Zhuozhou Water Supply Plant (涿州地表水廠)	Baoding, Hebei Province	April 2016	December 2018	580.0	70%
Operation area of the Beijing New Airport (北京新機場工作區)	Beijing	November 2016	February 2019	437.8	6%
Upgrade and renovation project of Beiling road network, Duanzhou District (端州區北嶺路網升級改造工程項目)	Zhaoqing, Guangdong Province	July 2016	May 2018	334.0	56%

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Underground space and municipal facilities of Guangzhou South Railway Station (廣州南站區域地下空間及市政配套設施項目部分工程)	Guangzhou, Guangdong Province	August 2016	March 2019	284.1	19%

These representative projects are selected due to various reasons, such as their large size, complexity or award-wining techniques, or because the project or project owner is widely-known in China. As of June 30, 2017, our backlog of municipal infrastructure construction projects totaled RMB9,589.2 million, of which our representative projects set forth above accounted for 10.7%.

Transportation Infrastructure Construction

Our transportation infrastructure projects primarily consist of roads, bridges and airport runways.

Completed Projects

We have completed the following representative transportation infrastructure construction projects during the Track Record Period:

- *Renovation and expansion of the Zhuozhou-Shijiazhuang Highway (certain sections), Hebei Province (河北省涿州至石家莊公路改擴建工程項目部分標段)*;

- *Subgrade and bridge construction of the Xushui-Laiyuan section of the Rongcheng-Wuhai Highway, Baoding, Hebei Province (河北省保定市榮成–烏海高速公路河北徐水至淶源路基、橋樑項目部分標段)*;

- *Certain sections of the airport aprons and runways (dedicated to the 2016 G20 Hangzhou Summit) at Xiaoshan International Airport, Hangzhou, Zhejiang Province (浙江省杭州市蕭山國際機場2016年G20杭州國際峰會專用機坪及機場場道工程項目部分標段)*;

- *Subgrade construction of Guangxi Wuzhou-Guigang Highway (contract section 3), Guangxi Province (廣西龍光貴梧高速公路廣西梧州至貴港高速公路項目路基工程(第三合同段))*; and

- *Pavement construction of the Guangxi Wuzhou-Guigang Highway (contract section 12), Guangxi Province (廣西梧州到貴港高速公路路面工程第12標段)*.

Projects under Construction

The following table sets forth our representative projects under construction as of June 30, 2017:

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Beidaihe Airport Expressway (北戴河機場快速通道)	Qinhuangdao, Hebei Province	October 2016	December 2019	617.0	30%
Runway of the Beijing New Airport (certain sections) (北京新機場飛行區場道項目部分工程)	Beijing	March 2016	September 2018	512.0	14%
Subgrade of certain sections of Linxia-Dingxi Road (臨夏州至定西市公路部分路基工程)	Lanzhou, Gansu Province	January 2016	June 2018	124.6	20%
Reconstruction of 308 national highway (Nangong-Shijiazhuang/ Xingtai junction) (308國道南宮至石邢界段改建工程)	Xingtai, Hebei Province	April 2016	May 2018	111.1	12%
Subgrade of Chengde-Zhangjiakou Highway (Shantazi connection line of the Chengde section) (承德至張家口高速公路承德段單塔子連接線路基工程)	Chengde, Hebei Province	June 2015	December 2017	105.9	35%

These representative projects are selected due to various reasons, such as their large size, complexity or award-wining techniques, or because the project or project owner is widely-known in China. As of June 30, 2017, our backlog of transportation infrastructure construction projects totaled RMB4,402.6 million, of which our representative projects set forth above accounted for 25.9%.

Specialized and Other Construction Contracting

We also undertake construction contracting projects by leveraging our qualifications and experience in specialized areas such as electrical and mechanical installation and construction of steel structures. Our electrical and mechanical installation works generally cover the supply, installation and maintenance of equipment for power plants, pipelines for heating and natural gas, as well as air-conditioning, mechanical ventilation and exhaust air systems. Steel structure construction generally refers to the building of the structural supporting elements comprising steel columns, girders and beams of a construction project. In 2014, 2015, 2016 and six months ended June 30, 2017, we generated RMB2,020.8 million, RMB1,981.5 million, RMB3,000.4 million and RMB1,337.2 million in revenue from specialized and other construction contracting business, respectively, which represented 8.1%, 7.3%, 7.6% and 6.9% of revenue from our construction contracting business during the same periods, respectively.

Electrical and Mechanical Installation

Completed Projects

We have completed the following representative electrical and mechanical installation projects during the Track Record Period:

- *Procurement and installment of the ground source heat pump (air conditioning) system for a teaching building of Shijiazhuang Railway Institute, Shijiazhuang, Hebei Province (石家莊鐵道大學基礎教學樓工程土壤源熱泵(空調)系統設備採購和安裝工程)*, which won the "Excellence Award for China Installation (Star of China Installation)" (中國安裝工程優質獎(中國安裝之星)) in 2016 and the "Anji Cup for Construction Engineering of Hebei Province (Provincial Quality Construction)" (河北省建築工程安濟杯獎(省優質工程)) in 2015;

- *Beitang Thermal Power Plant heating network south trunk line (certain sections), Tianjin (天津市北塘熱電廠供熱管網工程南幹線部分標段)*, which won the "Anji Cup for Construction Engineering of Hebei Province (Provincial Quality Construction)" (河北省建築工程安濟杯獎(省優質工程)) in 2015;

- *Gas pipeline in replacement of coal-fired boiler rooms in the city center (certain sections), Tianjin (天津市中心城區2015年淘汰燃煤鍋爐房燃氣管網配套項目部分標段)*, which won the "Anji Cup for Construction Engineering of Hebei Province (Provincial Quality Construction)" (河北省建築工程安濟杯獎(省優質工程)) in 2016;

- *Procurement and installment of the firefighting system for the office buildings and service facilities of Hebei Provincial People's Government, Shijiazhuang, Hebei Province (河北省人民政府辦公樓及綜合服務設施項目消防系統採購與安裝工程)*; and

- *Natural gas intermediate pressure pipeline project in East Jimo area, Qingdao, Shandong Province (山東省青島市即墨東部地區天然氣次高壓管道工程)*.

Projects under Construction

The following table sets forth our representative projects under construction as of June 30, 2017:

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Equipment installation of new Chedun Water Supply Plant (新車墩水廠設備安裝工程)	Shanghai	December 2016	December 2017	116.7	56%
Electrical and mechanical installation of "Tinghai Beitang Bay" residential housing (聽海 • 北塘灣項目機電安裝工程)	Tianjin	May 2016	December 2017	82.5	96%
Ice thermal storage tanks and central air conditioning system of the New Cooperation Building (新合作大廈蓄冰蓄熱中央空調系統工程)	Shijiazhuang, Hebei Province	April 2016	December 2017	51.2	86%
Electrical and mechanical installation of the outpatient building of No.1 Central Hospital (第一中心醫院門診綜合樓機電安裝工程)	Baoding, Hebei Province	October 2015	September 2017	44.9	77%
Sauce plant at Northern Food Science and Biotechnology Industrial Base (北方食品生物科技產業基地建設項目 – 醬生產車間)	Baoding, Hebei Province	October 2016	December 2017	18.2	92%

These representative projects are selected due to various reasons, such as their large size, complexity or award-wining techniques, or because the project or project owner is widely-known in China. As of June 30, 2017, our backlog of electrical and mechanical installation projects totaled RMB475.8 million, of which our representative projects set forth above accounted for 15.5%.

Steel Structure

Completed Projects

We have completed the following representative steel structure projects during the Track Record Period:

- *Handan International Inland Port exhibition hall and warehouses, Handan, Hebei Province (邯鄲國際陸港展廳、庫房工程)*;
- *Relocation and renovation of the shipbuilding base of Tianjin Xingang Shipbuilding Heavy Industry Co., Ltd., Tianjin (天津新港船舶重工有限責任公司造船基地搬遷改造)*;
- *No. 3 freight station of Zhengzhou emergency delivery base, Zhengzhou, Henan Province (河南省鄭州應急投送保障基地三號貨運站)*;
- *Server rooms and logistics warehouses of China Mobile Data Center, Hohhot, Inner Mongolia Autonomous Region (內蒙古呼和浩特中國移動數據中心機房和物流倉庫)*; and
- *Green Construction Industrial Park (phase I), Baoding, Hebei Province (河北省保定市綠色建築產業園項目(一期))*.

Projects under Construction

The following table sets forth our representative projects under construction as of June 30, 2017:

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
High-End Equipment Remanufacturing Center Project (高端裝備再製造中心項目工程)	Tianjin	May 2017	July 2018	245.6	2%
Lake Tai Testing Hall for the River and Lake Management Research Center (河湖治理研究基地項目 — 太湖試驗廳工程)	Wuxi, Jiangsu Province	October 2016	December 2018	81.7	52%

Project Name	Project Location	Project Commencement Date	Expected Completion Date	Contract Value	Approximate Percentage of Completion as of June 30, 2017
				(RMB in millions)	
Hebei North University gymnasium and outdoor stadium stands[1] (河北北方學院體育館及室外運動場看台項目體育館工程)	Zhangjiakou, Hebei Province	April 2015	December 2017	77.0	94%
Lithium ion battery separator plants and warehouses (鋰離子動力電池隔膜廠房及倉庫)	Tianjin	September 2016	August 2017	43.0	99%
Plants, warehouses and sewage treatment facility for aluminum alloy wheel and high-strength aluminum alloy parts (鋁合金車輪和高強鋁合金項目(聯合廠房、油漆庫、污水處理站))	Baotou, Inner Mongolia Autonomous Region	October 2015	August 2017	40.7	83%
Commercial Building of Yi County Binhe New Area (易縣濱河新區商業樓)	Baoding, Hebei Province	March 2017	December 2017	29.1	7%

(1) Designated facilities for the 2022 Winter Olympic Games.

These representative projects are selected due to various reasons, such as their large size, complexity or award-wining techniques, or because the project or project owner is widely-known in China. As of June 30, 2017, our backlog of steel structure projects totaled RMB447.5 million, of which our representative projects set forth above accounted for 71.3%.

Other Construction

We also undertake various other types of construction contracting projects, which mainly included decoration and other businesses. During the Track Record Period, our representative projects include the construction of pile foundation of auto steering system plants for Tianjin Elite Electromechanical Co., Ltd. (天津易力達機電有限公司汽車轉向系統建設項目樁基工程) and land development for Caofeidian Port Bonded Logistics Center in Tangshan, Hebei Province (河北唐山曹妃甸港保稅儲運中心項目土地整理工程). As of June 30, 2017, we were working on the remodeling and decoration of Hohhot East Railway Station square and underground complex in Hohhot, Inner Mongolia Autonomous Region (呼和浩特東站站前廣場及地下綜合體地下商業區域裝飾裝修工程), comprehensive renovation of old residential communities in Chaoyang District, Beijing (北京朝陽區老舊小區綜合改造) and the renovation and reinforcement of comprehensive service facilities for the handicapped in Tianjin (天津市殘疾人綜合服務設施加固改造工程施工項目), among other projects.

Overseas Business

Building on our strong presence in China, we are also gradually expanding our overseas construction contracting operations to capture opportunities in the overseas market brought by China's "Go Global" strategy. We have the qualifications for general contracting of foreign aid projects and foreign labor service cooperation. In recent years, we have participated in a number of projects in Angola, Laos, Fiji and Venezuela. During 2014, 2015, 2016 and the six months ended June 30, 2017, our revenue generated from overseas business amounted to RMB40.5 million, RMB116.5 million, RMB56.6 million and RMB7.1 million respectively, accounting for 0.2%, 0.4%, 0.1% and 0.04% of revenue from construction contracting operations for the same periods. Based on our current overseas business expansion plans, we do not expect to grow our assets or business in jurisdictions with significant political and legal risks.

Backlog and New Contract Value

Backlog

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. For more information, see "Risk Factors – Risks Relating to Our Business and Industry – Backlog is subject to unexpected adjustments and cancellations and, therefore, may not be indicative of our future results of operations."

The following table sets forth the aggregate contract value of projects in the backlogs of our building construction business, infrastructure construction business, and specialized and other construction contracting business as of the following dates:

	As of December 31,						As of June 30,	
	2014		2015		2016		2017	
	Contract value	% of total	Contract value	% of total	Contract value	% of total	Contract value	% of total
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)*	
Building construction	**28,374.4**	**68.9%**	**32,405.4**	**70.4%**	**34,354.6**	**70.7%**	**41,840.9**	**70.2%**
Residential construction	13,710.1	33.3	17,196.1	37.4	17,926.9	36.9	23,474.7	39.4
Public works construction	8,034.4	19.5	8,583.8	18.6	10,363.0	21.3	10,046.6	16.9
Industrial construction	4,836.1	11.7	5,141.3	11.2	4,214.4	8.7	6,033.5	10.1
Commercial construction	1,793.8	4.4	1,484.1	3.2	1,850.3	3.8	2,286.1	3.8
Infrastructure construction	**9,849.1**	**23.9**	**10,572.7**	**23.0**	**11,207.9**	**23.0**	**13,991.8**	**23.5**
Municipal infrastructure construction	6,946.0	16.9	7,554.0	16.4	6,926.2	14.2	9,589.2	16.1
Transportation infrastructure construction	2,903.1	7.0	3,018.7	6.6	4,281.7	8.8	4,402.6	7.4
Specialized and other construction	**2,953.5**	**7.2**	**3,030.4**	**6.6**	**3,049.9**	**6.3**	**3,756.6**	**6.3**
Total	**41,177.0**	**100.0%**	**46,008.5**	**100.0%**	**48,612.4**	**100.0%**	**59,589.3**	**100.0%**

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 aggregate value of new contracts entered into by us in respect of our construction contracting business for the periods indicated:

	Year ended December 31,						Six months ended June 30,	
	2014		2015		2016		2017	
	Contract value	% of total	Contract value	% of total	Contract value	% of total	Contract value	% of total
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)*	
Building construction	**22,758.2**	**64.4%**	**26,796.0**	**72.4%**	**30,088.4**	**62.3%**	**22,256.0**	**56.3%**
Residential construction	6,122.7	17.3	5,897.9	15.9	14,721.7	30.5	12,634.5	32.0
Public works construction	4,361.4	12.3	5,463.7	14.8	9,388.1	19.4	6,459.0	16.3
Industrial construction	7,833.8	22.2	11,616.5	31.4	5,323.7	11.0	1,936.2	4.9
Commercial construction	4,440.3	12.6	3,817.9	10.3	654.9	1.4	1,226.2	3.1
Infrastructure construction	**9,694.8**	**27.5**	**5,747.1**	**15.6**	**13,078.2**	**27.1**	**16,334.3**	**41.3**
Municipal infrastructure construction	6,024.6	17.1	3,502.4	9.5	5,523.0	11.4	13,290.3	33.6
Transportation infrastructure construction	3,670.2	10.4	2,244.7	6.1	7,555.2	15.7	3,044.1	7.7
Specialized and other construction	**2,882.9**	**8.1**	**4,442.6**	**12.0**	**5,093.9**	**10.6**	**971.2**	**2.4**
Total	**35,335.9**	**100.0%**	**36,985.7**	**100.0%**	**48,260.5**	**100.0%**	**39,561.5**	**100.0%**

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

	Year ended December 31,									Six months ended June 30,		
	2014			2015			2016			2017		
Contract Value Range	Number of contracts	Total contract value	% of total	Number of contracts	Total contract value	% of total	Number of contracts	Total contract value	% of total	Number of contracts	Total contract value	% of total
		(RMB in millions)			*(RMB in millions)*			*(RMB in millions)*			*(RMB in millions)*	
Within RMB50 million	1,237	8,523.3	24.1%	1,333	9,339.0	25.2%	1,527	11,384.4	23.6%	564	5,607.1	14.2%
RMB50 million to RMB100 million *(excluding RMB100 million)*	61	4,291.1	12.2	85	6,131.1	16.6	107	7,502.0	15.5	68	4,733.5	12.0
RMB100 million to RMB300 million	53	9,017.9	25.5	83	14,424.5	39.0	100	16,655.6	34.5	76	13,177.7	33.3
Over RMB300 million	24	13,503.6	38.2	9	7,091.1	19.2	20	12,718.5	26.4	18	16,043.2	40.5
Total	**1,375**	**35,335.9**	**100.0%**	**1,510**	**36,985.7**	**100.0%**	**1,754**	**48,260.5**	**100.0%**	**726**	**39,561.5**	**100.0%**

Contracting Models

Our construction contracting business mainly includes the following models:

- ***Procurement construction (PC) contracting model***: under this approach, we are responsible for the procurement of general equipment and materials for construction. In addition, we are in charge of the execution of the construction plan in accordance with the design plan and schedule provided by the project owner. During the Track Record Period, in terms of contract value awarded and revenue recognized, approximately 75.0% and 87.8%, respectively, of our construction contracting projects, were conducted through the PC contracting model.

- ***Construction contracting model (and other models)***: under this approach, the general contractor or project owner directly subcontract a portion of the project that requires specialized qualifications (such as specialized construction including foundation construction, earthwork construction, renovation and decoration construction, curtain wall construction, steel structure construction, pipeline engineering, and municipal and bridge construction). We also undertake construction projects under a various other models, which are variations of the construction contracting model. During the Track Record Period, in terms of contract value awarded and revenue recognized, approximately 20.1% and 9.7%, respectively, of our construction contracting projects were conducted through the construction contracting and other models.

- ***Engineering, procurement and construction (EPC) contracting model***: under this approach, depending on the terms of the contract, we provide contracting services for either the entire project or for certain stages in the project including survey, design, procurement, construction, testing and commissioning of an engineering project, or any combination of the above. We are responsible to the project owner for the quality, safety and timely delivery and cost of the project. During the Track Record Period, in terms of contract value awarded and revenue recognized, approximately 4.9% and 2.5%, respectively, of our construction contracting projects were conducted through the EPC contracting model.

Public-Private Partnership

During the Track Record Period, we also undertook certain construction contracting business under the PPP model. PPP is a cooperation model established by the government and private enterprise on specific projects in which the parties to the projects jointly undertake responsibility and financing risks. In recent years, the PRC government has encouraged the development of the PPP model, where "social capital" partners cooperate with local governments in the financing, construction, operation and maintenance of projects related to public services. In response to the favorable government policies and leveraging our proven track record in construction contracting, we have selectively invested in PPP projects in relation to our principal businesses in recent years.

In a PPP project, through a project company established by us or jointly with the government or other private investors, we (together with other private investors) act as the project investor and undertake the responsibilities of financing, construction (including engineering and procurement), operation and maintenance of the relevant PPP project. For each of the PPP projects that we participated in as of June 30, 2017, we entered into construction contracts with the relevant project company under similar terms of a PC or EPC contracting project for carrying out engineering and/or procurement and construction work of the relevant PPP project. Our revenue from a PPP project is principally derived from our construction contracting work during the construction phase of the project (usually within two years), which is similar to our PC or EPC contracting projects where our revenue and costs for each project are recognized by reference to the stage of completion. Compared to a construction contracting project, our role as an investor in PPP projects also enables us to generate additional revenue from services provided over the operation period.

Although our PPP projects involve cooperation with the government to construct and maintain infrastructure projects, they are not accounted for as service concession arrangements under IFRIC Interpretation 12 Service Concession Arrangements ("**IFRIC 12**"), because services provided by us during the operation period are not deemed to be the public operation services as contemplated under IFRIC 12. For details of the accounting treatment of the PPP projects, see "Financial Information – Critical Accounting Policies, Judgments and Estimates – Accounting treatment of PPP projects."

The following table sets forth the PPP projects we participated in as of June 30, 2017:

Name of PPP project	Time of entering contract	Project value[(1)] Total	Project value[(1)] Financing[(10)]	Project value[(1)] Equity investment	Our required equity interest	Our equity investment[(2)]	Our responsibilities in the project	Project status	Construction progress[(3)]	Construction contract value	Planned/ actual commencement date	Planned completion date	Operation period[(4)]	Government payment calculation and schedule
		(RMB in millions)				*(RMB in millions)*				*(RMB in millions)*			*(year)*	
Projects in which we have controlling interests and the project companies of which are accounted for as subsidiaries														
Infrastructure Construction of Dangshan General Aviation Industrial Park, Dangshan County, Anhui Province (安徽省碭山縣通航產業園基礎設施建設工程)[(5)]	May 2017	1,000.0	900.0	100.0	80.0%	80.0	Investment, construction, ancillary operation and maintenance	In the preparatory phase	0.0%	The term of construction contract is under negotiation	March 2018	March 2020	8.0	The total investment will be repaid by the government annually throughout the operation period with 4.9% annual return rate. The first payment will be made one year after the inspection and acceptance of the construction project.
Zhongde Avenue Phase II (from Jieyang Sino-German Metal Eco City to Jieyang Chaoshan International Airport), Guangdong Province (廣東省揭陽市中德金屬生態城至揭陽潮汕國際機場大道(中德大道二期)工程)	April 2017	1,233.6	986.9	246.7	100.0%	246.7	Design, financing, investment and construction	In the preparatory phase. The establishment of the project company was delayed due to personnel changes of the local government, but additional expenses caused by the delay will be borne by the government according to the PPP contract, and the delay has no negative impact on the financial performance of the project.	0.0%	922.2	March 2018	March 2020	10.0	The government will pay the availability service fee and maintenance fee on a quarterly base throughout the operation period. The first payment will be made a quarter after the delivery of the construction project.
Infrastructure Construction of Haiyang Automobile Industrial Innovation Park (Phase I), Shandong Province (山東省煙台市海陽市汽車產業創新園配套基礎設施建設PPP項目 (一期)工程)	April 2017	1,500.0	1,200.0	300.0	90.0%	270.0	Financing, construction, ancillary operation and management	In the preparatory phase. The obtaining of relevant land use right license was delayed, but additional expenses caused by the delay will be borne by the government according to the PPP contract, and the delay has no negative impact on the financial performance of the project.	0.1%	The term of construction contract is under negotiation	October 2017	March 2020	10.0	The government will provide the viability gap funding (可行性缺口補助) calculated according to the equation in the Caijin (2015) No. 21 Document twice a year throughout the operation period. The first two payments will be made in the year following the inspection and acceptance of the construction project.

Name of PPP project	Time of entering contract	Project value[1] Total	Financing[10]	Equity investment	Our required equity interest	Our equity investment[2]	Our responsibilities in the project	Project status	Construction progress[3]	Construction contract value	Planned/ actual commencement date	Planned completion date	Operation period[4]	Government payment calculation and schedule
			(RMB in millions)			*(RMB in millions)*				*(RMB in millions)*			*(year)*	
Road Drainage and Greening Project (Phase I) of Anping County Development Zone, Hengshui, Hebei Province (河北省衡水市安平縣開發區道路排水綠化一期工程)	August 2016	50.0	40.0[7]	10.0	80.0%	8.0	Design, financing, investment and construction	In the construction phase	24.0%	50.0	November 2016	September 2017	9.5	The government will make payment annually with an 8.0% annual return rate of the total investment throughout the operation period, and return the principal of the investment at the end of the operation period. The first payments will be made one year after the inspection and acceptance of the construction project.
Renovation of Jinhai Avenue (Aowei Road-Haodan Road), Rongcheng County (河北省保定市容城縣津海大街(奧威路-豪丹路)改造工程)	April 2016	35.0	24.5[8]	10.5	80.0%	8.4	Financing, investment, ancillary operation, construction and maintenance	In the construction phase. The establishment of the Xiong'an New Area (Rongcheng is one of the three counties forming the Xiong'an New Area) led to a temporary suspension of large projects and payment by the local government in this area, and the inspection and acceptance of the underlying construction project was completed partially. Depending on the development plan of the Xiong'an New Area, a potential option offered by the local government is to make a lump-sum payment to us for the service performed and conclude the project.	88.3%	30.8	May 2016	October 2016	10.0	The government will make payment annually according to the agreed upon percentage of the investment throughout the operation period. The first payments will be made within three months after the inspection and acceptance of the construction project.
New Campus and Ancillary Facilities of Hebei Jizhou Middle School, Jizhou, Hebei Province (河北省冀州市中學新校區建設及配套附屬工程)	April 2016	764.2	544.2	220.0	80.0%	176.0	Financing, investment, and construction and development	In the construction phase	95.6%	764.2	April 2016	August 2017	10.0	The government will make payment annually according to the agreed upon percentage of the investment throughout the operation period. The first payments will be made within three months after the inspection and acceptance of the construction project.

Name of PPP project	Time of entering contract	Project value[(1)] Total	Project value[(1)] Financing[(10)]	Project value[(1)] Equity investment	Our required equity interest	Our equity investment[(2)]	Our responsibilities in the project	Project status	Construction progress[(3)]	Construction contract value	Planned/ actual commencement date	Planned completion date	Operation period[(4)]	Government payment calculation and schedule
			(RMB in millions)			*(RMB in millions)*				*(RMB in millions)*			*(year)*	
Baiyangdian High-speed Train Station Landscaping Project, Rongcheng County, Baoding, Hebei Province (河北省保定市容城縣白洋澱高鐵站景觀)	January 2016	16.0	11.2[(9)]	4.8	80.0%	3.8	Financing, investment, construction, ancillary operation and maintenance	In the construction phase. The establishment of the Xiong'an New Area (Rongcheng is one of the three counties forming the Xiong'an New Area) led to a temporary suspension of large projects and payment by the local government in this area, and the inspection and acceptance of the underlying construction project was completed partially. Depending on the development plan of the Xiong'an New Area, a potential option offered by the local government is to make a lump-sum payment to us for the service performed and conclude the project.	99.0%	15.1	December 2015	March 2016	10.0	The government will provide financing fee after the inspection and acceptance of the project calculated based on debt financing and provide annually availability service fee throughout the operation period. The first payments will be made within three months after the inspection and acceptance of the construction project.
Construction of four roads including Jinhai Avenue, Rongcheng County, Baoding, Hebei Province (河北省保定市容城縣津海大街等4條道路建設)	May 2015	50.0	35.0	15.0	80.0%	12.0	Financing, investment, construction, ancillary operation and maintenance	In the construction phase. The establishment of the Xiong'an New Area (Rongcheng is one of the three counties forming the Xiong'an New Area) led to a temporary suspension of large projects and payment by the local government in this area, and the inspection and acceptance of the underlying construction project was completed partially. Depending on the development plan of the Xiong'an New Area, a potential option offered by the local government is to make a lump-sum payment to us for the service performed and conclude the project.	95.4%	45.9	May 2015	July 2016	10.0	The government will provide financing fee after the inspection and acceptance of the project calculated based on debt financing and provide annually availability service fee throughout the operation period. The first payments will be made within three months after the inspection and acceptance of the construction project.

Name of PPP project	Time of entering contract	Project value[(1)] Total	Project value[(1)] Financing[(10)]	Project value[(1)] Equity investment	Our required equity interest	Our equity investment[(2)]	Our responsibilities in the project	Project status	Construction progress[(3)]	Construction contract value	Planned/ actual commencement date	Planned completion date	Operation period[(4)]	Government payment calculation and schedule
		(RMB in millions)				*(RMB in millions)*				*(RMB in millions)*			*(year)*	
Projects in which we do not have controlling interests and our equity investments in the project companies are accounted for as available-for-sale investments														
Robot Startup Platform, High-tech Zone, Cangzhou, Hebei Province (河北省滄州市高新區機器人"雙創"平台)	February 2017	1,400.0	1,050.0	350.0	5.0%	17.5	Design, financing, investment, construction and maintenance	In the preparatory phase. Funding from the lead investor was delayed, but additional expenses caused by the delay will be borne by the government according to the PPP contract, and the delay has no negative impact on the financial performance of the project.	0.0%	The term of construction contract is under negotiation	October 2017	October 2019	12.0	The government will pay the project company the availability payment and maintenance fee annually throughout the operation period. The general contractor for the construction project will be paid by the project company, of which we are a minority shareholder, for construction service when the agreed milestones are reached.
Beidaihe Airport Expressway, Qinhuangdao, Hebei Province (河北省秦皇島市北戴河至北戴河機場快速通道)	September 2016	2,430.0[(6)]	1,150.0	100.0	3.0%	3.0	Financing, investment, construction, ancillary operation and maintenance	In the construction phrase	30.2%	1,180.0	October 2016	September 2018	20.0	The government will provide the viability gap funding (可行性缺口補助) calculated according to the equation in the Caijin (2015) No. 21 Document annually throughout the operation period. The first payments will be made in the year following the inspection and acceptance of the construction project. As the general contractor for the construction project, we will be paid by the project company, to which we are a minority shareholder, for our construction service when the agreed milestones are reached.
Total		8,478.8												

(1) Project value comprises of construction contract value (which usually consists of project construction and equipment procurement and installation), and where applicable, unforeseeable expenses and interests during the life of the project. We have undertaken or will undertake the construction works of most of the PPP projects that we participated in as of June 30, 2017.

(2) Our required equity investment is calculated by multiplying total equity investment by our equity interest in the project company.

(3) The payment progress of our investment commitment roughly correlates with the construction progress of the underlying PPP project.

(4) Operation period means the agreed period for the government to make payments for the PPP projects. The construction period is usually not included in the operation period.

(5) In the event that this project is renewed, we have the right of first refusal to extend our operation and maintenance services of the project.

(6) Of the total RMB2,430.0 million, RMB1,180.0 million is funded by governmental subsidies.

(7) The RMB40.0 million is advanced by Group for construction and other fees.

(8) The RMB24.5 million is advanced by Group for construction and other fees.

(9) The RMB11.2 million is advanced by Group for construction and other fees.

(10) We are responsible for arranging financing for those PPP project companies in which we have a controlling interest. However, we are not responsible for arranging financing or acting as guarantor for the PPP project companies in which we do not have a controlling interest. Bank borrowings are the primary source of external financing. Among the eight PPP projects in which we have controlling interest as of June 30, 2017, (i) the project company for the Construction of Four Roads including Jinhai Avenue incurred a bank borrowing of RMB34.0 million, for which we acted as the guarantor; (ii) for the New Campus and Ancillary Facilities of Hebei Jizhou Middle School, its beneficiary, Jizhou Middle School, incurred a bank borrowing of RMB290.0 million to fund the project, for which we acted as the guarantor; (iii) we financed three projects ourselves, namely Road Drainage and Greening Project (Phase I) of Anping County Development Zone, Renovation of Jinhai Avenue (Aowei Road-Haodan Road) and Baiyangdian High-speed Train Station Landscaping Project, through advancing the construction fees as we deemed these projects financially reasonable for us, taking into account the project size and forecasted cash flow and profitability; and (iv) the remaining three PPP projects, namely Infrastructure Construction of Dangshan General Aviation Industrial Park, Zhongde Avenue Phase II and Infrastructure Construction of Haiyang Automobile Industrial Innovation Park, were either in the process of financing planning or bank borrowing applications as of the Latest Practicable Date, totaling RMB3,086.9 million of the approximate amount of future financing, reflecting initial estimates and development plans of the parties to the projects and may be adjusted if circumstances so require.

For our equity investments in PPP projects where we have control over a project company, we include such PPP project company in the scope of consolidation. Where we have significant influence or joint control over a project company, we recognize our equity investments as investments in associates or joint ventures, which is stated at the Group's share of net assets of the project company under equity method of accounting. Where we do not have control or significant influence or joint control over a project company, we recognize it as available-for-sale financial investment and stated at costs less any impairment losses. Debt financing of PPP project companies mainly includes loans from banking and other financing institution, which is accounted under interest-bearing banking and other borrowings. Returns from PPP project companies mainly represent operating results from constructions and operations. PPP project companies recognize construction income based on percentage of completion during the construction period, and recognize service fee income when the relevant operation service are rendered during the operation period. As of June 30, 2017, we controlled the project companies for most of the PPP projects that we participated in. As a result, the respective revenue and expense of such PPP project companies have been included in the Group's consolidated financial statements, with elimination of intercompany transactions.

As of the Latest Practicable Date, some of our PPP projects were experiencing delay due to reasons indicated in the "project status" column in the table above. In accordance with the payment schedule set forth in the PPP contract, the government shall make periodic payments upon commencement of the operation period.

In 2014, 2015, 2016 and the six months ended June 30, 2017, the amounts of our revenue attributable to PPP projects were nil, RMB59.8 million, RMB910.3 million and RMB354.6 million, respectively. During the same periods, the amounts of our gross profit attributable to PPP projects were nil, RMB3.7 million, RMB130.1 million and RMB30.3 million, respectively. As of the Latest Practicable Date, the amount of our outstanding committed equity investment in our PPP projects was RMB505.2 million.

In comparison with the PC and EPC contracting models, the PPP model involves greater exposure to financing risks of the project, and the capital requirements are generally higher under this model. For details, see "Risk Factors – Risks Relating to Our Business and Industry – PPP projects typically require significant cash outlays and feature long operation periods and we may require substantial funding for these projects." We have adopted a set of prudent criteria for the selection and risk management of PPP projects, including:

- **Management's experiences and expertise**: In the past, our Directors and senior management have successfully launched a number of BOT projects, which involve similar risks as PPP projects, including 11 water treatment projects that have been disposed of for commercial reasons and are part of our Discontinued Operation. In June 2017, we formed a PPP Projects Leader Group to supervise our selection and undertaking of PPP projects. This group is composed of our experts for PPP projects, including our Director Liu Shuzhen and Supervisor Yue Jianming. For details of their qualifications and biographies, see "Directors, Supervisors and Senior Management." Mr. Deng Hengbo, head of our investment management department that manages all our PPP projects, is also a member of the PPP Projects Leader Group, and he has been recognized as an expert in the NDRC expert pool for PPP Projects.

- **Strict project selection**: We have established a strict PPP project selection system, under which every potential project is comprehensively assessed by the investment management department, who will lead the preparation of an evaluation report together with our financial department, marketing department and legal department. The report will be discussed at the general manager's meeting, which is attended by our managers, before it is submitted to the Board for approval. In order for a project to be considered, it must have a reasonable rate of return and be in line with our business focus. We prefer PPP projects for which we are capable of providing the underlying construction contracting work and those requiring not more than 20% of equity investment from us.

- **Strong construction management**: We select PPP projects that are closely related to our principle business of construction contracting, and in line with our strategic focus on infrastructure construction. We have undertaken or will undertake the underlying construction work of all PPP projects that we have participated in, and the budget for the construction work constitutes the majority of the budget for the PPP projects. With our extensive experience in the construction contracting business and strong cost control ability, we could increase the profit margins on the construction work of the PPP projects, reduce the risk caused by construction delay or expenses overrun.

- **Government's financial resources**: We evaluate potential PPP projects partially based on whether the contemplated project has been recognized by the local government and included in the relevant government's department of finance PPP project database, which means the expected government payments during the operation period of the project are likely to be included in the government's fiscal budget. Most of our PPP projects are included in the national, provincial and municipal PPP project database of the government's department of finance. We will also review and evaluate the financial resources of the relevant governments and forecast our estimated profits before entering into agreements with them.

- **Well-planned financing**: We finance up to 80% of our investment commitment in a PPP project through loans, and the remainder with our own cash or equity financing. We plan our financing in advance so that our expected progress revenue can match the timing of our loan repayment.

- **Ability to dispose of the project**: We may choose to dispose of certain PPP projects during their operation phase, after completion of the construction phase. The disposal decisions will be based on various commercial factors including but not limited to (i) opportunity cost of retaining such PPP projects, such as alternative projects and investment opportunities that may be presented to us that are believed to represent better returns and profitability, (ii) the costs of operation, (iii) the capacities of management, (iv) our expertise in specific industry, and (v) commercial negotiation results on terms and prices with potential buyers.

Accordingly, our Directors are of the view that our PPP projects are expected to be profitable based on our ability to undertake the construction contracting work and generate revenue in the early stage of the PPP projects.

PC and EPC are well-established contracting models under which the contractor has differing scope of responsibilities. The contractor is responsible for the procurement of equipment and materials and construction of a project under the PC model, while it is responsible for survey, design, procurement and construction of a project under the EPC model.

BOT (Build-Operate-Transfer), along with models such as BOO (Build-Own-Operate) and TOT (Transfer-Operate-Transfer), are project models widely adopted for infrastructure and public utilities projects such as water treatment and water supply, with the common characteristic that the local government grants the operator the right to operate the facilities and charge service fees for operating the facilities during the concession period, which typically runs 30 years. Under the BOT and BOO model, where there is a "build" phase, the operator first finances and builds the facilities, prior to the concession period. BOT projects in which the government and the private organization make joint investments are also considered PPP projects.

The PPP model, namely public-private partnership, has become increasingly popular in the PRC in recent years. Typically, the PPP model is based on a framework agreement and formed between the local government and private organizations for the construction of infrastructure projects and/or the provision of services for certain government initiatives. PPP projects may adopt the BOT, BOO or other models that involve a concession period during which the local government grants the operator the right to operate the facilities. Under the contracts of our existing PPP projects, after the construction period, we will primarily provide ancillary operation services such as maintenance services, which are not deemed to be of a public service nature as contemplated under IFRIC 12.

The table below sets forth the main characteristics of PPP, BOT, EPC and PC projects that we have participated in:

	Our PPP projects	Our previous BOT projects (discontinued operations)	Our EPC projects	Our PC projects
Our responsibilities	Investment, construction, ancillary operation services such as maintenance services	Financing, construction and operation	Engineering, procurement and construction	Procurement, construction
Our rights	Receive payment for construction and ancillary operation services such as maintenance services	Receive payment for construction and operation services	Receive payment for engineering, procurement and construction services	Receive payment for procurement and construction services
Financing arrangement	We finance the PPP projects	We finance the BOT projects	None	None
Risks	In addition to risks associated with our role as a general contractor, we also assume risks associated with investment in the PPP projects	In addition to risks associated with our role as a general contractor, we also assume risks associated with financing and operation of the BOT projects	Risks associated with survey, design, procurement of equipment and materials, construction and subcontracting	Risks associated with procurement of equipment and materials, construction and subcontracting

As part of our discontinued operations, we historically engaged in certain water utilities projects under the BOT model.

There are several major distinctions between our existing PPP projects and the BOT projects we undertook in the past:

(i) Duration: Our existing PPP projects typically have an operation period of between eight and 12 years, while the BOT projects we undertook in the past typically had a concession period of 30 years. For details, see note 23 of the Accountants' Report included in Appendix I to this prospectus.

(ii) Proportion of construction revenue in the entire project value: For our existing PPP projects, construction revenue will typically constitute the majority of the PPP project value, while for the BOT projects we undertook in the past, construction revenue typically accounts for a much smaller portion. We made a conscious business decision to focus on our current PPP project type, with which we are able to better leverage our strong track record as a general contractor.

(iii) Equity investment in the project company: For our existing PPP projects, we generally take a majority stake ranging from 80% to 90%, and the government entity takes a minority stake. For the BOT projects we undertook in the past, the project company was generally our wholly-owned subsidiary, while in very limited cases, the government entity took a minority stake.

Please refer to the comparison table above for our responsibilities and risks associated with our existing PPP projects and BOT projects that we undertook in the past.

Business Process

Marketing and Project Assessment

A majority of our construction projects are identified through the efforts of our sales and marketing department. For more information on our sales and marketing activities, 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 government websites where such projects are posted.

After we determine what construction projects are available, we conduct an internal assessment of the projects we may wish to pursue. Our review of potential projects based on a number of factors, including 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 Provisions on the Scope and Threshold of Construction Projects for Bid Invitation, certain public works construction projects and large-scale infrastructure projects must be awarded through bidding. For more information, see "Regulatory Environment – Bids." 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 signed off by our sales and marketing department before submission. Typically, our bid preparation process can take one to three weeks and we generally receive the bid results from our customers within three months after our submission.

If we are successful in our bid for a construction project, we evaluate the terms provided in our customers' contract. Our sales and marketing department has the responsibility of leading contract negotiations with our customers. The negotiated terms of the construction contracting contract will then undergo a sign-off process.

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 range in duration from one to three years. 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. For more information on the quality inspections conducted by our customers or independent surveyors, 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 project management department, which assigns a project management team to each project. The size of a project management team increases proportionately with the increase in scale and complexity of the construction project. Our project management teams typically comprise project managers, project chief engineers, quality managers, safety managers and business managers.

Project Managers

Our project managers are mainly responsible for coordinating and managing the construction projects, allocating work within the project management team, organizing the preparation of monthly construction plans, construction material procurement plans and equipment procurement or leasing plans, as well as coordinating with the customer, independent surveyors, suppliers and subcontractors, if any. All of our project managers are Class A or Class B Constructor License holders. We assign project managers with the relevant expertise, such as in construction engineering, municipal engineering or mechanical and electrical engineering, based on the individual needs of each construction project. As of June 30, 2017, we had over 800 Class A Constructor License holders.

Project Chief Engineers, Quality Managers, Safety Managers, and Business Managers

Our project chief engineer, quality managers and safety managers are responsible for the technical, quality control and safety aspects of our construction projects. Their responsibilities include organizing the review of the construction blueprint design, preparing construction technology plans and detailed construction plans, as well as participating in quality and safety inspections and workplace injury investigations. Our business managers are responsible for the cost analysis and management of the business affairs of our construction projects.

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 reworks upon inspection. The customer inspection and acceptance process for building construction projects generally requires approximately two months to complete and for infrastructure construction projects generally requires approximately six months to complete, which is in line with that for its peers in the market. 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 construction audit 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 contracting contract. Our customers generally require a retention fee, which normally would not exceed 5% of the settlement amount of the entire project, 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 or in full at the end of such period. The length of the defects liability period is typically two years, depending on the type of construction service we provide. During the Track Record Period, we collected substantially all 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 work scope, (iv) geographical location and environmental condition of the project site, (v) our estimation of the competing bids, and (vi) contractual risks.

We typically negotiate construction contracting contracts on a 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 adjustment for raw materials prices is generally determined based on references to government-published guidance prices. 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 contracting contracts specify the major terms of a project, such as pricing, payment schedule, project schedule, warranty, price adjustment, performance guarantee and project delays. From time to time, we may enter into supplemental contracts if we are required to provide services outside the original scope of work. The major terms included in most of our construction contracting contracts are summarized as follows:

- *Payment schedule*. Some of our construction contracting contracts require an advance payment from our customers, which may be in an amount equal to 10% to 30% 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 key milestones set forth in our construction contracting contracts. We generally prepare a construction audit 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 letter of guarantee or deposit, from which the customer is entitled to deduct or require the issuing bank to pay if we fail to fulfill our obligations regarding project quality, project schedule and safety management set forth in the construction contracting contract. The performance guarantee usually does not exceed 10% of the contract value or a specified amount stipulated in the construction contracting contract.

- *Project delays*. If the project is delayed through no fault of ours, including a material expansion of work scope or the occurrence of force majeure events, 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 according to 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 curtain wall construction, building decoration and fireproofing equipment installation. Further, as is customary in the PRC 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. For details of our subcontracting arrangements, see "– Subcontracting."

- *Term*. The term of our construction contracting contracts depends on the estimated time required to complete the construction project, which generally is one to three years.

- *Termination*. Generally, our construction contracting contracts may be terminated by mutual agreement between the parties thereto.

Credit Policy

Pursuant to our internal control policies, we are required to perform credit verification procedures on all customers trading on credit terms and to maintain strict control over our outstanding trade and bills receivables. As of December 31, 2014, 2015, 2016 and June 30, 2017, our trade and bills receivables was RMB6,126.0 million, RMB9,798.8 million, RMB10,777.4 million and RMB10,684.6 million, respectively. Our trade and bills receivables turnover days were 66, 99, 92 and 91 days in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively. See "Financial Information – Liquidity and Capital Resources – Trade and Bills Receivables" for a discussion of our trade and bills receivables and the calculation method of our trade and bills receivables turnover days. Overdue balances are reviewed regularly by our senior management. For details, see "Financial Information – Market Risk Disclosure – Credit Risk" for a discussion of our credit risks.

Seasonality

Our construction contracting business is subject to seasonality, mainly due to the vast territory of China and the different climate conditions of various regions in which we operate. We typically record higher revenues in the second half of the year than in the first half of the year. 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, and as a result, have incurred additional costs and experienced delays in the schedule of our construction projects. Our customers usually would grant an extension and we have not been held liable for project delays caused by severe air pollution. We anticipate that, as we improve our technology and equipment, we may gradually reduce the effect of seasonality in our business operations. Nevertheless, we may still experience cost increases or delays when conducting our business operations during particular seasons. See "Risk Factors – Risks Relating to Our Business and Industry – Our business operations are subject to adverse weather conditions, severe air pollution, natural disasters and other operating hazards" for details.

Licenses, Qualifications and Permits

Qualifications are critical to carrying out our construction contracting business. We have been advised by our PRC legal advisors, Jia Yuan Law Offices, that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all the material requisite licenses, qualifications and permits from the relevant regulatory authorities for 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 June 30, 2017, our construction contracting qualifications mainly include one premium grade qualification, 19 first grade qualifications, 12 second grade qualifications and seven third grade qualifications. These qualifications cover seven out of the 12 types of general contracting qualifications, and 17 out of the 36 types of specialized contracting qualifications in the construction contracting industry. These qualifications enable us to undertake a variety of construction projects. We held the following construction contracting qualifications as of June 30, 2017:

- Premium grade qualification
    - Building construction general contracting
- First grade qualifications
    - General contracting: building construction, highway construction, municipal and public construction, and electrical and mechanical engineering construction; and
    - Specialized contracting: lifting equipment installation construction, fire control facilities construction, bridge construction, tunnel construction, steel structure construction, renovation and decoration construction, building electrical and mechanical installation, highway pavement construction, highway subgrade construction, foundation construction, airport runway construction, power transmission, transformation construction and environmental protection construction, curtain wall construction, and electronic and intelligent construction.
- Second grade qualifications
    - General contracting: building construction, highway construction, municipal and public construction, metallurgical construction and petrochemical engineering construction; and
    - Specialized contracting: bridge construction, steel structure construction, building electrical and mechanical installation, highway pavement construction, highway subgrade construction, tunnel construction, and electronic and intelligent construction.
- Third grade qualifications
    - General contracting: water resources and hydropower construction and electrical engineering construction; and
    - Specialized contracting: lifting equipment installation, steel structure construction, environmental protection construction, city and road lighting construction, and building electrical and mechanical installation.

Awards and Recognitions

We have won a number of national and provincial awards in the construction contracting area, including the Second Prize of the National Science and Technology Progress Award, the National Quality Award, the Lu Ban Award, the Tien-yow Jeme Civil Engineering Prize, and the inclusion in "100 Classic and Quality Projects in the 60 Years since the Founding of the PRC." In particular, we have won 18 "Lu Ban Awards" where we were the main contractor, of which 17 were awarded since 2000. As a result, we won the "Outstanding Contribution for Launching of Lu Ban Award Winning Construction" in 2012 and were accredited "An Entity of Outstanding Contribution for Launching of Lu Ban Award Winning Construction" in 2017. In 2014, we were one of the only 20 construction companies to receive the National Excellent Project Quality Management Enterprise award from the MOHURD.

The following table sets forth the representative awards we have obtained in recent years:

Project	Award
Ordos Sports Center Natatorium (鄂爾多斯體育中心游泳館)	The Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎) in 2017
	The Lu Ban Award (魯班獎) in 2015
Shijiazhuang Media Tower (河北省石家莊傳媒大廈)	The Lu Ban Award (魯班獎) in 2017
Hebei University Library (河北大學圖書館工程)	The Lu Ban Award (魯班獎) in 2016
Lee Shau-Kee Science and Technology Building of Tsinghua University (清華大學李兆基科技大樓)	The MOHURD "Green Construction Technology Model Project" (住房和城鄉建設部"綠色施工科技示範工程") in 2016
The research and application of the construction method used in the renovation of the Taxiway Bridge of the Beijing Capital Airport (北京首都機場滑行橋翻建工法研究與應用)	The Civil Aviation Science and Technology Award (民航科學技術獎) in 2016
Construction of a new terminal building as part of the renovation of expansion of the Ordos Airport (鄂爾多斯機場改擴建工程新航站樓)	The Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎) in 2015
	The Lu Ban Award (魯班獎) in 2013
Baoding Ecological Garden (保定市生態園)	The Lu Ban Award (魯班獎) in 2015

Project	Award
Analytical and design theory and key construction techniques relating to the beam-string structure system (張弦結構體系分析設計理論及施工關鍵技術)	The Second Prize of the National Science and Technology Progress Award (國家科學技術進步獎二等獎) in 2011
Large-Scale Products Mechanical Processing Plant Complex, Aerospace Town, China Academy of Space Technology (航天城中國空間技術研究院大型產品機加廠房綜合樓工程)	The Lu Ban Award (魯班獎) in 2011
Central South University Xiangya Hospital Medical Building (New Medical District) (中南大學湘雅醫院新醫療區醫療大樓)	The Lu Ban Award (魯班獎) in 2011
The expansion of the Hohhot Baita International Airport (呼和浩特白塔國際機場擴建工程)	The Tien-yow Jeme Civil Engineering Prize (中國土木工程詹天佑獎) in 2011 The 100 Classic and Quality Projects in the 60 Years since the Founding of the PRC (新中國成立60周年百項經典暨精品工程) in 2009 The Lu Ban Award (魯班獎) in 2009

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. To sustain our leadership in the industry, we have been dedicated to research and development in construction technologies and applying best industry practices.

We have established a technology center, which was recognized as a Provincial Enterprise Technology Center by Hebei Province. The technology center comprises a technology committee, an expert committee and 18 teams dedicated to research and development. As of June 30, 2017, we had 62 professor-level senior engineers and seven experts receiving the special allowance of the State Council or provincial governments.

We also lead or participate in research projects aimed at developing construction process methodologies. As of June 30, 2017, we garnered a total of ten national-level construction process methodologies recognized by the MOHURD. National-level construction process methodologies are recognized for significant and innovative construction methods that have the potential of generating economic value. As of June 30, 2017, we also acquired 95 provincial-level construction process methodologies. Further, we actively participate in drafting and establishing technical specifications that form construction industry standards in the PRC. For example, we have developed construction process methodologies relating to long-span structures, which strengthen our competitive advantages in construction projects such as airport terminals, stadiums and exhibition halls. In addition, we were awarded the Civil Aviation Science and Technology Award in 2016 for our research in relation to the construction method used in the renovation of the taxiway bridge of the Beijing Capital Airport. As of June 30, 2017, we had 138 patented technologies and 30 patents pending approval.

In recognition of our research and development achievements, we received nine provincial-level science and technology progress awards. In 2011, together with three other institutions, we received the second prize of the National Science and Technology Progress Award, one of the highest honors for technological innovation and advancement in China, for the research in the "analytical and design theory and key construction techniques relating to the beam-string structure system."

We collaborate with various research institutions and other construction companies in China to develop innovative technologies and construction process methodologies. In 2016, in collaboration with Tianjin University, Hebei Academy of Building Research, Beijing Uni-Construction Group and other institutions and companies, we co-founded the "Beijing-Tianjin-Hebei Construction Industry Modernization Alliance," a platform for the collaboration in research and development and industry upgrading.

We are collaborating with experts from Tongji University to develop a virtual construction platform based on the BIM technology. The BIM technology allows users to explore the planning, construction, and management of a building virtually before it is built, and to make more accurate prediction of the materials required in a construction project, thereby reducing the cost of construction. According to the agreement with Tongji University, we jointly own the intellectual properties of this virtual construction platform with Tongji University. During the development phase of the platform, all proceeds resulting from its operation belong to us, whereas after the development is finished, the proceeds resulting from its operation will first be used to recover our development costs, and the rest will be shared equally between Tongji University and us.

We are committed to green construction, using processes that are environmentally responsible and resource-efficient. A number of our projects have been named national green construction model projects by the China Construction Industry Association, such as the Handan Passenger Transportation Terminal main station and the Ordos Sports Center Natatorium. In particular, the Lee Shau-Kee Science and Technology Building of Tsinghua University, one of our representative projects, was recognized as a "Green Construction Technology Model Project" by the MOHURD in 2016. Our total expenses related to research and development for 2014, 2015, 2016 and the six months ended June 30, 2017 amounted to RMB14.5 million, RMB19.3 million, RMB28.1 million and RMB14.4 million, respectively. These expenses have not been capitalized.

Raw Materials, Equipment and Machinery, and Suppliers

Raw Materials

Our principal raw materials include steel and concrete. In 2014, 2015, 2016 and six months ended June 30, 2017, the cost of raw materials amounted to RMB13,841.3 million, RMB14,897.8 million, RMB19,890.9 million and RMB10,256.0 million, respectively, representing 57.2%, 56.4%, 52.9% and 54.1% of our adjusted cost of sales, respectively. We generally pass the risk of price fluctuations in our raw materials to our customers by introducing price adjustment terms into the construction contracting contracts. We do not keep a significant inventory of raw materials 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 difficulties 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 and other Comprehensive Income – Cost of Sales, Gross Profit and Gross Margin" and, see "Risk Factors – Risks Relating to Our Business and Industry – Our operating results may be significantly affected by changes in the prices and availability of 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 each project owner. We either lease or use our own equipment and machinery for our construction projects based on an assessment of the project location, our resource allocation and costs.

The following table sets forth details of our major large equipment and machinery for construction as of June 30, 2017:

Type of equipment	Number (sets)
Road and bridge construction equipment and machinery	29
Steel structure equipment and machinery	204
Prefabricated component construction equipment and machinery	13
Curtain wall equipment and machinery	24
Concrete equipment and machinery	165
Building construction equipment and machinery	60

We generally lease multipurpose large construction equipment and machinery such as cranes, lifts, excavators, bulldozers and dump trucks to meet the needs of our construction projects and to lower overhead costs for equipment and machinery. We leased approximately 5,000, 5,000, 7,400, and 6,300 pieces of large construction equipment and machinery in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively. For the leased equipment and machinery, leasing companies are responsible for the repair or replacement during the leasing period. During the Track Record Period, we were able to ensure that sufficient construction equipment and machinery were available on our construction projects through effective allocation of our owned and leased construction equipment and machinery.

Suppliers

We have in place 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. Since April 2016, the majority of such biddings have been conducted through our Yuncai Network, a business-to-business online procurement platform developed, operated and owned by us. For more information, see "– Yuncai Network." In addition, our membership in the China Construction Industry Association also offers us access to a broader range of suppliers.

We enter into supply contracts with our 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 a government-published guidance price.

- *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 key milestones in the relevant construction project set forth in our supply contracts.

- *Delivery, inspection and acceptance.* Raw materials are generally delivered by our suppliers to warehouses or construction sites we designate. Our supply contracts stipulate whether we or our suppliers bear the delivery fees. Generally, damages arising from such delivery are born 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 of the raw materials cause our construction projects to be suspended for reworks or cause safety accidents on our construction projects. We may be subject to liquidated damages for delays in due payment 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 liquidated damages to our suppliers.

Subcontracting

During the Track Record Period, we engaged subcontractors to provide certain specialized construction services such as waterproofing, fireproofing, steel structure, curtain wall construction and building decoration. In addition, we entered into labor services contracts with Baoding Tianli, a Connected Person, and certain Independent Third Parties to supply the labor force in our construction projects. For details on our subcontracting relationship with Baoding Tianli, see "Connected Transactions – Non-exempt Continuing Connected Transaction."

We follow strict criteria in selecting subcontractors and establish long-term relationships with them. We maintain a list of qualified subcontractors who are able to provide suitable subcontracting business at an acceptable price. We generally select subcontractors through a bidding process. Subcontractors must either be on our list of qualified subcontractors or have passed our evaluation to participate in the bidding. Since April 2016, a majority of such biddings have been conducted through Yuncai Network. For more information, see "– Yuncai Network." Our updated list for providing specialized construction services and labor services is reviewed regularly. We select subcontractors primarily based on their qualifications, technological capabilities, track record in quality and safety, financial strengths and offer prices.

The subcontracting agreements typically reflect the principal terms of our contracts with our project owners. Subcontracting arrangements are made on a project-by-project basis, and the duration of each subcontracting agreement generally depends on the timetable, scope of work and other requirements of each project. We have taken measures to manage our subcontracting costs, including: (i) maintaining a list of preferred subcontractors which is regularly reviewed and updated, thereby maintaining long-term business relationships with our preferred subcontractors to secure availability of subcontracting business at reasonable prices; and (ii) engaging subcontractors through a tender and bidding process in which we typically solicit bids from at least three potential subcontractors, primarily based on their qualifications, proposed subcontracting fees and track record. Our customers sometimes require us to obtain their consent before we subcontract.

According to our subcontracting contracts, we usually make progress payments to our subcontractors and retain approximately 5% of the settlement amount of the subcontracted portion until the expiry of the defect liability period. The defect liability periods and other major terms under our subcontracting contracts are usually equivalent to those in our contracts with customers.

Our management procedures include: (i) adopting a series of strict cost auditing measures, which are reviewed regularly; and (ii) designating project management personnel to supervise and manage our subcontractors and holding on-site periodic meetings with subcontractors to discuss their performance, construction progress and conduct quality and safety training. If we identify any performance issues, we will have follow-up discussions with the subcontractors and monitor their rectification measures.

We require our subcontractors to comply with our work safety standards and policies, and to take measures to avoid any safety or other incidents during the course of their services. In the event of any failure by our subcontractors to meet our safety standards, we may cease to work with them or claim damages. We incorporate subcontractors' work quality, progress, health, safety and environmental protection record into our management system, as we remain responsible to our customers for our subcontractors' contractual performance pursuant to the contracts or applicable laws.

Yuncai Network

Yuncai Network is a business-to-business online procurement platform that provides nationwide services to construction companies, suppliers and subcontractors in the PRC. We launched Yuncai Network in November 2015 and it has been our major channel for the procurement of raw materials, subcontracting services, as well as the purchase or lease of equipment and machinery since April 2016. The Yuncai Network offers us a centralized online platform and access to a broad range of suppliers and subcontractors, and detailed information on their capabilities and creditability, enables us to select the most qualified and suitable ones for individual projects, streamlines the transaction process, thereby enhancing the efficiency of our procurement efforts and reducing our procurement costs.

Sales and Marketing

Our construction contracting customers mainly include universities, hospitals, civil aviation authorities, other government agencies and public institutions, state-owned enterprises and large property development companies in the PRC. 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 cooperated with us for multiple times, and our longest cooperation with existing customers has been over 30 years. During the Track Record Period, we had over 600 customers to whom we have provided services in two or more projects. We continue to have designated members of senior and mid-level management maintain relationships with major clients by conducting periodic visits to collect their feedback, understand their needs and learn about their new projects.

We typically win contracts for our construction services through bidding and tender procedures. In 2014, 2015, 2016 and the six months ended June 30, 2017, we submitted 3,853, 3,705, 4,211 and 1,891 bids, respectively, and our success rates for such bids were 35.7%, 40.8%, 41.7% and 38.3%, respectively.

OTHER BUSINESSES

We also engage in property development, property management and other businesses. In 2014, 2015, 2016 and the six months ended June 30, 2017, we generated RMB139.0 million, RMB556.5 million, RMB904.5 million and RMB960.8 million in revenue from other businesses, respectively, representing 0.6%, 2.0%, 2.3% and 4.8% of our revenue before elimination of intersegment sales and elimination of sales between continuing and discontinued operations during the same periods, respectively. During the same periods, the gross profit that we generated from other businesses was RMB38.4 million, RMB169.3 million, RMB195.9 million and RMB267.4 million, respectively.

Property Development Business

In addition to our construction contracting business, we also engage in the development and sale of residential and commercial properties in Hebei Province and selected cities in other provinces in the PRC. We conduct our property development business through Zhongcheng Real Estate. Going forward, we intend to remain committed to our core business of construction contracting and may consider reducing the scale of our property development business or, if necessary, disposing of this business as it is not part of our core business.

We classify our property development projects into three categories:

- ***Completed projects:*** projects which passed the completion inspection.

- ***Projects under development:*** projects for which we have received the required construction work commencement permits and are under construction.

- ***Projects held for future development:*** projects for which construction work has not yet commenced and we have: (i) received the relevant land use rights certificates or (ii) signed the relevant land grant contracts but not yet obtained land use rights certificates.

As of June 30, 2017, our property portfolio comprised 12 property development projects which are completed, under various stages of development or held for future development in cities in Hebei, Sichuan and Shaanxi Provinces. In 2014, 2015, 2016 and the six months ended June 30, 2017, we had completed properties with a total GFA of 749,755 sq.m. As of June 30, 2017, we had a total GFA of 634,616 sq.m. for properties under development, and a total planned GFA of 821,355 sq.m. for properties held for future development.

Status of Our Projects

The following table sets forth certain information relating to our completed properties in 2014, 2015, 2016 and the six months ended June 30, 2017, and properties under development and properties held for future development as of June 30, 2017. The GFA data for each project is for the above-ground portion of the buildings and for that project as a whole, which does not reflect the amount of GFA solely attributable to us to the extent that our interest in the project is less than 100%. Our PRC legal advisors, Jia Yuan Law Offices, have advised us that, as of Latest Practicable Date, we have obtained the requisite approvals for the development, construction and sale of all our property development projects according to their respective development stages.

			Completed				Under development				Held for Future Development		
Project	Location	Site Area	GFA Completed	GFA Sold	Saleable/ Leasable GFA Remaining Unsold	Actual Completion Date [(1)]	GFA Under Development	Saleable[(3)]/ Leasable GFA[(2)]	GFA Pre-sold[(3)]	Expected Completion Date	Planned GFA	Ownership Interest[(4)]	Reference to Property Valuation Report
		(sq.m.)	*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*	*(sq.m.)*	*(sq.m.)*		*(sq.m.)*	*(%)*	*(property number)*
Zhongcheng • Hongshan Manor	Baoding	116,056	132,302	129,779	4,802	August 2015	–	–	–	–	–	100	N/A
Zhongcheng • Hongyue International	Baoding	5,468	48,008	43,331	4,443	September 2016	–	–	–	–	–	100	N/A
Zhongcheng • Jingdian	Baoding	58,643	185,385	182,381	–	–	–	–	–	June 2017	1,900	100	2
Zhongcheng • Shuishiyuan	Baoding	46,730	–	–	–	–	73,860	73,860[(6)]	–	May 2019	–	100	N/A
Wetland Town	Chengdu	132,021	106,971	88,867	16,915	March 2017	–	–	–	–	396,498	100	1
Langton Manor	Zhangjiakou	78,334	67,139	58,451	8,688	December 2016	179,962	176,009	140,502	December 2018	–	64	3
Golden Sunshine	Chengde	198,458	209,950	202,691	10,572	June 2015	102,544	102,356	99,989	October 2017	–	51	N/A
Zhongcheng • Left Bank	Chengde	32,532	–	–	–	–	41,584	41,240	41,240	June 2017	19,258	100	N/A
Zhongcheng • Mingjun	Chengde	64,117	–	–	–	–	144,034	131,615	86,698	August 2018	–	100	N/A
Zhongcheng • Shanshui Yinxiang	Guang'an	52,466	–	–	–	–	92,632	88,582	27,626	April 2018	24,737	100	N/A
The Peach Blossom Garden	Guang'an	133,267	–	–	–	–	–	–	–	–	285,628	100	–
Bailuting Land	Xi'an	66,667	–	–	–	–	–	–	–	–	93,334	80	–
Total		**984,759**	**749,755**	**705,500**	**45,420**		**634,616**	**613,662**	**396,055**		**821,355**		

(1) Refers to the latest completion date if the project is completed in several phases.

(2) Derived from the pre-sale permit for commodity property or, where such permit is not yet available, construction works planning permit and construction work commencement permit.

(3) Derived from the pre-sale permit for commodity property or, where such permit is not yet available, our internal records and estimates.

(4) Calculated based on our effective ownership interest in the respective project companies.

(5) Not including affordable housing which needs to be transferred to the government.

(6) We hold the property for investment.

Construction and Quality Control

Before construction work commences, we must obtain the required planning and construction permits, which requires us to meet specific government requirements. During the Track Record Period, we contracted the construction of all of our property development projects to our construction contracting business section.

We place a strong emphasis on quality control. We implement quality control procedures, such as conducting on-site supervision by our employees, throughout our property development business, as well as in each of our project companies and construction supervisory companies.

Sales and Marketing

Our customers are mainly individuals who are purchasing residential or commercial properties. We conduct sales and marketing activities primarily through our own sales teams and sales agents. Our primary sales promotion methods are Internet advertisements, print materials, indoor exhibitions, outdoor advertisements and proactive engagement with target customers.

Our customers are given the option to pay the purchase price for property as a lump sum or to finance their purchase through a mortgage. In line with market practice, we have made arrangements with various banks to provide mortgage loans to our customers, and we provide guarantees for our customers' mortgage loans. These guarantees are released upon the earlier of (i) the issuance of the property ownership certificate to the purchaser and completion of mortgage registration with the mortgagee bank; and (ii) the purchaser's full repayment of the mortgage loan. As of June 30, 2017, we had an aggregate of RMB1,688.5 million of guarantees outstanding for mortgage loans for the benefit of our customers.

Property Management

We provide property management services to the residential properties we have developed and sold. We place great emphasis on property management services because we believe that these services enhance property values for our customers and improve our brand recognition.

DISCONTINUED OPERATIONS

We historically engaged in operations that included water utilities services and construction labor services. We have decided to cease those businesses because we plan to focus our resources on our construction contracting business. In 2014, 2015 and 2016, our net loss from the discontinued operations was approximately RMB8.1 million, RMB132.8 million and RMB237.1 million, respectively, and our adjusted profit from the discontinued operations was approximately RMB8.7 million, RMB33.4 million and RMB94.0 million, respectively. In the six months ended June 30, 2017, our net profit for the discontinued operations was RMB26.7 million, and our adjusted profit for this period was RMB26.7 million as well.

For details of our discontinued operations and the reasons for the disposal, see "History, Reorganization and Corporate Structure – Reorganization," "Financial Information – Discontinued Operation and Non-IFRS Measures" and "Appendix I – Accountants' Report" for more information.

CUSTOMERS AND SUPPLIERS

For more information about our customers of our construction contracting business, see "– Construction Contracting Business – Sales and Marketing." For more information about our customers of the property development business, see " – Other Businesses – Sales and Marketing."

We do not have major customers or suppliers. In 2014, 2015, 2016 and the six months ended June 30, 2017, revenue attributable to our five largest customers accounted for less than 30.0% of our total revenue. In the same period, purchases from our five largest suppliers accounted for less than 30.0% of our total purchase.

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

The construction industry in China has developed significantly in recent years as a result of strong economic growth and an active real estate market. The construction contracting industry in China is fragmented. With limited exceptions, most of the construction companies in China, including us, focus their business regionally. According to Frost & Sullivan, as of December 31, 2016, there were over 6,500 construction companies in the Beijing-Tianjin-Hebei Region. We were the largest non-state owned construction company in the Beijing-Tianjin-Hebei Region in terms of revenue in 2016, with a market share of 1.5%, according to Frost & Sullivan. In addition, according to Frost & Sullivan, we held a 5.1% market share in Hebei Province in terms of revenue in 2016. The main entry barriers to the Beijing-Tianjin-Hebei Region construction contracting business include qualification and credential, capital and professional employee. For more information, see "Industry Overview."

Our primary competitors mainly include national and large regional construction companies, such as Beijing Urban Construction Group, Beijing Construction Engineering Group, China State Construction Engineering Corporation, China Communications Construction Co., Ltd. and Hebei Construction Group. We believe our many competitive advantages allow us to compete effectively with our competitors. We have obtained a wide range of construction industry qualifications, allowing us to provide a comprehensive set of construction services to our customers that our competitors may not be qualified to provide. Our high-quality and safe construction projects have won us numerous industry awards, allowing us to augment our reputation and brand recognition. Baoding is located in the core area of the Beijing-Tianjin-Hebei Region and in recent years has experienced sizeable economic and social development, which have boosted the development of the local construction industry and provided us with growth opportunities. Moreover, our focus on technological progress and our experienced project management team are key advantages we possess. While competition in our industry is intense, we believe our competitive advantages will allow us to continue to differentiate ourselves from our competitors.

QUALITY CONTROL AND MANAGEMENT

Stringent quality control is critical to our reputation and success. As such, we adopt comprehensive quality control measures to ensure the high quality of our construction contracting services. Our quality and technology department is responsible for the adoption of quality control measures and periodic inspections of our operations. We maintain ISO9001:2015 certificates (quality management standards published by the International Organization for Standardization) for our construction contracting business. Such certificates have a validity period of three years. We first obtained the certificate for our construction contracting business on August 6, 1997, which was renewed on May 8, 2005 and most recently renewed on April 19, 2015. 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 the specifications of our customers. We are typically required to provide a product certificate and obtain our customer's 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 re-inspect 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 feedback 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 for our construction projects. For more information, see "– 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.

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, which is based at our headquarters, is responsible for overseeing our compliance with relevant PRC laws and regulations, conducting regular reviews and inspections of our safety performance, conducting review 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 the PRC for an occupational health and safety management system) for our construction contracting business. Such certificates have a validity period of three years. We first obtained the certificate for our construction contracting business on May 9, 2005 and most recently renewed such certificate on April 29, 2017. We did not encounter any difficulty in renewing such certificates. We also organizes 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 a three-tier occupational health and safety management system. Our production safety department, the first tier, is responsible for formulating health and safety standards. Our branch offices, the second tier, oversee the construction projects within their respective regions and are primarily responsible for leading the meeting to instruct relevant personnel on technical requirements and safety procedures before the commencement of a construction project, establishing and recording project ledgers, inspecting the management and safety of the construction project on a monthly basis, and conducting review of any accidents. Our project management teams, the third tier, ensure that our subcontracted workers are adequately trained and have received the requisite licenses and certificates to conduct special operations. Our project management teams also draft construction plans and safety measures for approval by the second tier of our health and safety management system, address safety issues before commencing each work day, and conduct weekly safety inspections of our work and that of our subcontractors.

Our Accident Reporting System

Our occupational health and safety management system includes a reporting and record system for safety accidents on our construction sites. All safety accidents must be immediately reported to the responsible project management team, who reports the safety 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 safety accident. Any safety accident that resulted in any fatalities or major injuries will be promptly reported to the applicable branch office and the production safety department. We will report the safety accident to the relevant government authority as required by PRC laws and regulations and cooperate with local government authorities to investigate such safety accident.

Workplace Accidents

On July 28, 2017, a trench collapse accident occurred on a road construction project undertaken by us in Shenyang, Liaoning Province that resulted in the fatality of one of our construction workers. On August 24, 2017, following its investigation, the local competent authority found that this accident was mainly caused by our failure to make sloping or provide reliable support in accordance with construction plan for the construction work, to fulfill our responsibility of establishing a work safety accident risk inspection and management mechanism and to identify and eliminate the accident risk in a timely manner. In addition, the construction supervisor and the project owner were also found indirectly responsible for this accident.

The local safety supervision bureau imposed a fine on us in the amount of RMB220,000 for breach of the applicable work safety laws and regulations in August 2017, and we have paid the fine in full. We are also required by the local competent authority to implement measures to remedy our safety issues, fulfill our safety responsibility, and establish an effective risk inspection and management mechanism. Immediately after this safety incident, we have taken the following remedial actions:

- suspended the entire construction project involved in the accident to conduct a comprehensive safety inspection and adopted remedial actions;
- replaced the person-in-charge on site;
- reprimanded and educated the project manager;
- prepared an inspection report and remedial plan to address any safety issues discovered;
- increased safety training for our project management team and on-site personnel; and
- conducting internal inspections and adopting remedial methods on all of our ongoing construction projects involving the headquarters, all subsidiaries and construction project management entities.

Our Directors confirm that, we are not subject to any other material claims, lawsuits, penalties or disciplinary actions as a result of this accident.

Considering the causes of the safety incident and the remedial measures undertaken, our Directors are of the view, and the internal control consultant concurs, that our existing procedures, systems and controls in regard to construction safety are effective and adequate and are able to reduce the risk of similar work safety incidents. Our Directors further believe that such work safety incident did not and will not have a material adverse impact on our business and results of operations.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not have any material workplace accidents and fatalities, and we have not been subject to any fines, public criticism or warnings in relation to any safety incidents.

However, there was a material workplace accident in a building construction project in which we participated. On March 27, 2017, a man basket installed on the external wall of the Hebei Baoding Yuhua Business Center Project ("**Yuhua Project**") toppled and resulted in the fatality of three construction workers, who were employed by a third party, Handan Shenggong Construction Engineering Co., Ltd. ("**Shenggong Construction**").

In September 2014, through our subsidiary, we entered into a building construction contract with the project owner, Hebei Baiyue Real Estate Development Co., Ltd. ("**Hebei Baiyue**"), to provide contracting works for part of the Yuhua Project, including, among others, civil engineering, water supply and discharge, heat supply and electrical works. On the day of the accident, we had suspended our construction of the Yuhua Project at the request of the local authority due to adverse weather conditions. Separately, the project owner awarded the contracting work for the decoration of the external walls of Yuhua Project to Shenggong Construction, and on May 20, 2016, the project owner issued a notice to us confirming that the decoration of the external walls of the Yuhua Project was contracted out separately and not within our contracting work responsibility. Based on the foregoing facts, our PRC legal advisors advised us that (i) the decoration of the external walls of Yuhua Project was contracted to Shenggong Construction by the project owner, and accordingly, Shenggong Construction should directly assume the responsibility for the decoration of the external walls, and (ii) we have no contractual or business relationship with Shenggong Construction.

The investigation report issued by the competent authority did not name us as a party responsible for this accident, and we were not subject to any penalty.

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, 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 Environment – Environmental Protection" for more details on the relevant environmental laws and regulations we are subject to. 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 group accident insurance for our personnel onsite our construction projects. 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 consider that our existing insurance coverage is in line with industry norm and is sufficient for our present operations. In addition, we had 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 Business and Industry – Our insurance policies may not be adequate to cover all risks of loss associated with our business operations." for more details. During the Track Record Period, we did not experience any material insurance disputes.

INTELLECTUAL PROPERTY

We rely on a combination of patents, trademarks, domain names and contractual rights to protect our intellectual property. As of the June 30, 2017, we also owned 138 patents and six domain names in China. As of the same date, we had 30 patent applications and 20 trademarks applications under review in China, as well as two trademark applications under review in Hong Kong. Details of our intellectual property rights are set forth in "Appendix VII – Statutory and General Information – Further Information about the Business – Intellectual Property Rights." 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 the June 30, 2017, we had 5,386 employees, and the majority of them are in Baoding, Hebei Province, where we are headquartered. The following table sets forth the number and breakdown of our employees by function:

	Number of employees
Project management and research and development	3,926
Human resources, legal, auditing and finance, operation and marketing	899
Administration	224
Technicians	209
Others	128
Total	**5,386**

We believe that our long-term growth depends on the expertise, experience and development of our employees. We mainly recruit through 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 of our employees and invest in the future of our human resources.

The remuneration package for our employees generally includes salaries, bonuses and welfare benefits. In addition, we make contributions to social insurance fund, including pension, medical, unemployment, maternity and occupational injury insurance, and housing provident fund for our employees.

As of the Latest Practicable Date, we also employed 213 dispatched workers from an employment agency in China to assume administrative and back-office functions. According to the relevant labor dispatch contracts, our employment agency is required to bear the costs of salaries, social insurance and housing provident funds or other employee benefits of these dispatched workers, while we are mainly responsible for paying service fees to the employment agency.

We and our subsidiaries have 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. Our operating units have labor union branches. We did not experience any material labor dispute during Track Record Period.

PROPERTIES

Our headquarters are located at 125 Lugang Road, Jingxiu District, Baoding, Hebei Province, PRC.

Land Use Rights

Owned Land

As of June 30, 2017, we owned the land use rights to 56 parcels of land in China, with an aggregate site area of 168,551 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. We use such land as offices, warehouses and staff residences and production sites. Among them, four parcels of our owned land with an aggregate site area of 154,654 sq.m were pledged to secure bank borrowings. For details of the purpose of the pledges, see "Financial Information – Indebtedness."

As informed by the PRC legal advisors, we have the rights to occupy, use and derive income from the land of which the land use rights were pledged, however, prior consent of the mortgagee is required for transfer, pledge or otherwise dealings of the land use rights in accordance with the PRC laws and regulations.

Leased Land

As of June 30, 2017, we leased nine parcels of land in China with an aggregate site area of 163,557 sq.m. Among them, the lessors had obtained the land use right certificates or other title certificates for five parcels of land with an aggregate site area of 121,224 sq.m. Among these five parcels of land, the lessors of three parcels of land had entered into the land use right transfer agreements with the former owners of the land use rights, who held the "Land Use Right Certificates," and the lessors were in the process of completing the registration procedures in relation to the transfer of land use rights.

The owners of the remaining four parcels of land with an aggregate site area of 42,333 sq.m. (accounting for 12.7% of the aggregate site area owned and leased by us) had not completed the approval formalities for the leasing of the relevant collectively owned land. These four parcels of leased land with incomplete approval formalities are mainly used for manufacturing of concrete and other ancillary purposes. As advised by our PRC legal advisors, the maximum penalty is confiscation of our facilities installed thereon (with the value of RMB7.8 million) and we may be subject to a maximum penalty of RMB30 per sq.m., which amounts to RMB1.3 million.

Our Directors believe that our use of the four parcels of leased land with incomplete approval formalities will not have a material adverse effect on our business operations for the following reasons:

- the four parcels of leased land with incomplete approval formalities are not crucial to our principal business operation and deliver insignificant business revenue. In 2014, 2015, 2016 and the six months ended June 30, 2017, the revenue derived from business conducted on such land accounted for 0.2%, 0.1%, 0.2% and 0.2% of our total revenue, respectively. Therefore, the interference business operation on these parcels of land will not cause material adverse effects to our overall business;

- in the case of confiscation of fixed facilities erected thereon and penalty, the maximum financial impact will be RMB9.1 million, which will not create materially adverse impact to our production, operation and financial status;

- we intend to complete the formalities in relation to the transfer of the above collectively owned construction land as soon as practicable and, in case we fail to do so and are required to relocate, we will identify an alternative property in a timely manner and at a minimal costs;

- the Directors are of the view that, the rental costs of the four parcels of leased land with incomplete approval formalities will not be materially different should the landlord complete the relevant approval formalities; and

- our Controlling Shareholders have irrevocably undertaken to us that they will indemnify us against all losses, claims, penalties, fines, and expenses arising from the four parcels of leased land with incomplete approval formalities. Our PRC legal advisors have confirmed that the above indemnity undertaking given by our Controlling Shareholders is legally binding and enforceable.

Buildings

Owned Buildings

As of June 30, 2017, we owned 62 buildings in China, with an aggregate gross floor area of 36,452 sq.m., among which, we had obtained the building ownership certificates of 58 buildings with an aggregate gross floor area of 28,760 sq.m. We had not obtained the building ownership certificates for the remaining four buildings with an aggregate gross floor area of 7,693 sq.m. (accounting for approximately 8.9% of the aggregate gross floor area of buildings owned and leased by us). These four buildings with defective titles were mainly used as office buildings and staff residences, including:

- three buildings, with an aggregate gross floor area of 3,361 sq.m. (accounting for approximately 3.9% of the aggregate gross floor area of buildings owned and leased by us) are purchased commercial buildings, and we are in the process of obtaining ownership certificates; and

- the remaining one building, with the aggregate gross floor area of 4,331 sq.m. (accounting for approximately 5.0% of the aggregate gross floor area of buildings owned and leased by us), lacked the relevant construction permits from the relevant government authorities when it was constructed.

Our PRC legal advisors have informed us that the PRC laws may not fully protect our rights in relation to the four buildings with defective titles. The existence of outstanding building ownership certificates to these buildings may prevent them from being bought, sold or accepted by banks as security for mortgage. In addition, third parties may challenge our rights to use these buildings, and we may have to vacate the relevant premises should any challenge succeed.

Our Directors believe that the four buildings with defective titles are in safe condition, and that our use of these four buildings with detective titles will not materially adversely affect our business operations due to the followings reasons:

- the four buildings with defective titles are not significant for our principal business, which are primarily used for office purposes and staff residences;

- for the three buildings of which the purchase contracts were entered into and the payments for the purchase were settled, the developers have completed the filing procedures for the commercial building development projects and we were in the process of obtaining the building ownership certificates. Based on the advice of PRC legal advisors, we are of the view that there is no substantial legal impediment for the acquisition of such building ownership certificate. For another building with an aggregate gross floor area of 4,331 sq.m., the risk of us being required to relocate from the properties is low, and even in the case that we are requested to vacate, we are able to find comparable premises nearby at a reasonable price within a short period of time, which we believe will not materially impact our business;

- we are not aware of any ownership controversy or dispute or third party claims which may have a material effect on our business regarding these buildings as of the Latest Practicable Date; and

- our Controlling Shareholders have irrevocably undertaken to us that they will indemnify us against all losses, claims, penalties, fines, and expenses arising from the four buildings with defective titles. Our PRC legal advisors have confirmed that the above indemnity undertaking given by our Controlling Shareholders is legally binding and enforceable.

Leased Buildings

As of June 30, 2017, we leased 55 buildings in China, with an aggregate gross floor area of 49,634 sq.m. Among them, the owners of 40 buildings with an aggregate gross floor area of 27,074 sq.m. had provided the building ownership certificate or other relevant proofs. Our PRC legal advisors are of the view that the lessors of these 40 properties are the owners of, or authorized persons to lease or sublease, the respective properties, and the lease agreements are legally effective.

The owners of the remaining 15 buildings with an aggregate gross floor area of 22,560 sq.m. (accounting for approximately 26.2% of the aggregate gross floor area of buildings owned and leased by us) had not provided the building ownership certificates. We have urged the landlord of these buildings to apply for the building ownership certificates. 13 of these 15 leased buildings were primarily used for purposes other than production, such as for offices, and the remaining two only have a portion, with a total area of 12,438 sq.m., which are used as workshop, warehouse and plant.

Our PRC legal advisors have advised that the PRC law may not fully protect our rights under the leases of the 15 leased buildings without obtaining building ownership certificates. As of the Latest Practicable Date, no third party has challenged our rights to use these buildings.

Our Directors believe that the 15 leased buildings without obtaining building ownership certificates are of safe condition, and that our use of these 15 leased buildings will not materially adversely affect our business operations for the following reasons:

- the 15 leased buildings without obtaining building ownership certificates are not crucial to our principal business operation;

- as of the Latest Practicable Date, we are not aware of any ownership controversy, dispute, or third party claims which will have a material effect on our business regarding these buildings. Pursuant to the agreed terms in the relevant lease agreements and the requirements of the applicable laws, the lessor has the obligation to guarantee the lessee's right to use the leased buildings; in the case where the lessee is unable to use or derive income from the leased property as a result of a third party claim, the lessee shall have the right to rent reduction or remission;

- the risk that we may be required to vacate the relevant premises is remote, and even if required to vacate, we believe we are able to find comparable premises and relocate in a timely manner, at a minimum expense, which will not have a material and adverse effect on our business;

- the Directors are of the view that the rental costs of the 15 buildings without obtaining building ownership certificates will not be materially different should the landlord obtained the relevant certificates; and

- our Controlling Shareholders have irrevocably undertaken to us that they will indemnify us against all losses, claims, penalties, fines, and expenses arising from the buildings without obtaining building ownership certificates. Our PRC legal advisors have confirmed that the above indemnity undertaking given by our Controlling Shareholders is legally binding and enforceable.

For more details of the issues relating to properties, see "Risk Factors – Risks Relating to Our Business and Industry – We do not possess valid title or rights to certain properties that we occupy."

INFORMATION TECHNOLOGY

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. Our information technology systems also support our key operation 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 Business and Industry – We may experience failures in our information technology systems" for more information.

RISK MANAGEMENT AND INTERNAL CONTROL

Our Board of Directors is responsible for establishing our internal control system and assessing its effectiveness. In accordance with applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for the needs of our organization. We have established comprehensive risk management, primarily composed of departments specialized in auditing, finance, safety and quality, investment and legal matters and other functional management departments, through which we monitor, evaluate and manage risks related to construction safety, financial matters, market development, capital management, human resources and other matters that we are exposed to in our business activities. We plan to review and refine our risk management system regularly, based on changes to our business. Our senior management oversees our risk management systems and reviews the results of our annual risk assessment. Our risk assessment is conducted by a number of risk management departments within our Company and our subsidiaries. These departments conduct annual risk evaluations and regular risk management and controls, and report to senior management about material findings, in a timely manner. Our senior managers engaged in risk management have extensive experience related to construction contracting. We also run training programs for our risk management personnel each year in order to enhance their overall risk management ability and knowledge.

In order to comply with our anti-corruption/anti-bribery obligations under applicable laws and regulations, we have established a series of internal policies, measures and procedures. Our anti-fraud whistleblower system and conflict of interest prevention system elaborate on issues of conflict of interest, commercial secrets, confidentiality obligations, information disclosure, company property, and the behavior principles for dealing with customers or third parties. We have also established a whistleblower mechanism and relevant investigation procedures against corruption and bribery, to facilitate the execution of our anti-corruption/anti-bribery policies, measures and procedures.

LEGAL AND REGULATORY

Legal Proceedings

We are a party to a number of legal proceedings arising in the ordinary course of our business. A majority of these legal proceedings involve claims initiated by us, as plaintiff, to recover overdue construction payments from our customers. After consulting with our PRC legal advisors, our Directors confirmed that, during the Track Record Period and as of the Latest Practicable Date, there was no pending legal proceeding or arbitration against us or our Directors that might individually or collectively have a material adverse impact on our business, financial condition and results of operations.

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 have 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 considering the significance or nature surrounding these incidents.

Non-compliance incidents and reasons for the incidents	Consequences of the non-compliance incidents	Current Status	Remedies and internal control measures
(1) Commencement of construction without complying with land grant contract and obtaining the requisite certificates and permits			
In early 2013, our subsidiary, Zhongcheng Real Estate, commenced construction of the Zhongcheng Jingdian property development project ("**Jingdian Project**") which is for residential purpose, and was not in compliance with the relevant terms of the land grant contract requiring the use of land for industrial purpose. The Jingdian Project was commenced without obtaining the construction work planning permit and construction work commencement permit from the relevant government authorities. This was due to the fact that this project involved construction of the affordable housing and was under pressure to expedite the construction and delivery, as well as the lack of compliance awareness of the project company.	On August 14, 2013 and April 10, 2014, Land and Resource Bureau of Baoding and Land and Resource Bureau of Baoding Jingxiu District imposed on us a penalty of RMB826,103 and RMB1,266,667, respectively, and reclaimed the land for our failure to develop the project in accordance with the terms of the relevant land grant contract requiring the use of the land for industrial purpose. On July 6, 2015, we were imposed a penalty of RMB4,744,468 by Urban Administrative and Law Enforcement Bureau of Baoding Jingxiu District for commencing construction without obtaining the construction work planning permit. On July 13, 2015, we were imposed a penalty of RMB948,900, and ordered to stop the non-compliance and carry out rectification within the specified time limit by the Baoding Housing and Construction Bureau for commencing construction without obtaining the construction work commencement permit.	By November 2015, we fully settled the foregoing penalties and ceased all the construction works for this project until we obtained the permit. We obtained the land through the bidding and transfer process, signed a land grant contract with Land and Resource Bureau of Baoding regarding the land and obtained the land use rights certificate for residential purpose. On May 16, 2017, we received a written confirmation from Baoding Housing and Construction Bureau that during the Track Record Period we have not been subject to any significant administrative penalty in respect to violations of housing and urban and rural construction, housing management and commercial housing sales and other related laws and regulations, and we are not under investigation or liable for an administrative penalty. On May 19, 2017, we received a written confirmation issued by Urban Administrative and Law Enforcement Bureau of Jingxiu District confirming that we had (i) rectified the non-compliance and fully settled the penalty, and the relevant impact is eliminated; and (ii) except the above non-compliance the Company is not subject to any penalty or investigation due to violation of PRC laws and regulations relating to urban and rural planning. On June 1, 2017, we received a written confirmation issued by Land and Resource Bureau of Baoding confirming that we had fully settled the penalty and completed the requisite procedures relating to land use. As advised by our PRC legal advisors, (i) each of Baoding Housing and Construction Bureau, Urban Administrative and Law Enforcement Bureau of Jingxiu District and Land and Resource Bureau of Baoding is the competent authority for issuing the respective written confirmation, and these competent authorities have given written confirmations that we are not under investigation or liable to administrative penalty now, and (ii) we have obtained all relevant certificates required in the current construction stage for the Jingdian project.	Our Directors believe that the foregoing non-compliance incidents have not or will not cause, whether individually or in aggregate, any material and adverse financial or operational impact on us due to a combination of the following: (1) the amount of monetary penalty imposed on us and the circumstances surrounding these incidents are not significant to our business and results of operations, and the risk of further administrative penalty for the non-compliance matter is minimal; (2) as advised by the PRC legal advisors, these non-compliance incidents are unlikely to cause substantial impediments to our Listing; (3) none of our existing Directors or members of our senior management has been involved in any of these non-compliance incidents; (4) our Controlling Shareholders have irrevocably undertaken to us that they will indemnify us against all losses, claims, penalties, fines, and expenses as a result of existing or potential non-compliance. Our PRC legal advisors have confirmed that the above indemnity undertaking given by our Controlling Shareholders is legally binding and enforceable; and (5) in relation to such non-compliance incidents, the internal control consultant has reviewed and provided recommendations to our internal control designs for preventing their recurrence, and we have taken steps to enhance our internal control measures to prevent recurrence of such non-compliance incidents: • provide training on legal requirements of permits and compliance with land grant contracts to all management members of Zhongcheng Real Estate and its subsidiaries; • review all necessary procedures, documents and licenses before construction and only commence construction when all of the above items are in place; and • assign Zhongcheng Real Estate's business operation manager to oversee compliance matters and the manager shall be responsible for future non-compliance incidents.

Non-compliance incidents and reasons for the incidents	Consequences of the non-compliance incidents	Current Status	Remedies and internal control measures
(2) Social insurance fund and housing provident fund			
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 RMB49.7 million and RMB17.3 million, respectively, as of June 30, 2017. The non-compliance incidents were 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 authority and housing provident fund authority that they did not require the repayment from us or imposed any administrative penalty on us for outstanding social insurance or housing provident fund contributions during the Track Record Period. Our PRC legal advisors have informed us 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, we are not now subject to administrative penalty for the non-compliance, hence the non-compliance incidents will not cause substantial legal impediments to the Global Offering. We have made provisions for the overdue contribution amounting to RMB67.0 million as of June 30, 2017. Our Directors are of the view that, the provisions can cover the potential payment in relation to the non-compliance matters.	We reported the adjusted base amount of social insurance to the competent authority in July 2017, which is the earliest time for us to make such adjustment according to the reporting schedule of the local social insurance authorities. To comply with the relevant regulations, we make contributions to the social insurance and housing provident fund based on the actual salary of employees pursuant to the applicable PRC laws and regulations. Our Directors believe that the foregoing non-compliance incidents have not or will not cause, whether individually or in aggregate, any material and adverse financial or operational impact on us due to the following: (1) the amount of potential monetary penalty imposed on us and the circumstances surrounding these incidents are not significant to our business and results of operations; (2) as advised by the PRC legal advisors, these non-compliance incidents are unlikely to cause substantial impediments to our Listing; (3) none of our existing Directors or members of our senior management has been involved in any of these non-compliance incidents; (4) our Controlling Shareholders have irrevocably undertaken to us that they will indemnify us against all losses, claims, penalties, fines, and expenses as a result of existing or potential non-compliance. Our PRC legal advisors have confirmed that the above indemnity undertaking given by our Controlling Shareholders is legally binding and enforceable; and (5) in relation to such non-compliance incidents, the internal control consultant has reviewed and provided recommendations to our internal control designs for preventing their recurrence, and we have taken steps to enhance our internal control measures to prevent recurrence of such non-compliance incidents: We have provided trainings for staff of the human resources department to improve their compliance awareness. We have the internal control policy in place to manage our contribution to the social insurance fund and housing provident fund, pursuant to which our human resources department prepares the monthly employee salary and contribution report, which is reviewed by the finance department to implement the policy and prevent non-compliance incidents in the future. We also assigned the manager of the human resources department to oversee compliance matter and the manager shall be liable for non-compliance incidents.

Following the Global Offering, the transactions between members of our Group and our connected persons will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

Immediately following the completion of the Global Offering, the following entities will be our connected persons:

Name	Relationship with Our Company
Zhongming Zhiye	As of the Latest Practicable Date, Zhongming Zhiye was owned by Zhongru Investment and Qianbao Investment as to 92.5% and 7.5% of its equity interests, respectively. As Zhongru Investment and Qianbao Investment will continue to be the Controlling Shareholders of the Company immediately after completion of the Global Offering, Zhongming Zhiye is therefore our connected person by virtue of Rule 14A.07(4) of the Listing Rules.
HCG Garden Engineering	As of the Latest Practicable Date, HCG Garden Engineering was wholly owned by Zhongming Zhiye. HCG Garden Engineering is therefore our connected person by virtue of Rule 14A.07(4) of the Listing Rules.
Baoding Tianli	As of the Latest Practicable Date, the 75% equity interest in Baoding Tianli was held by Zhongming Zhiye. Baoding Tianli is therefore our connected person by virtue of Rule 14A.07(4) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Summary Table of Our Continuing Connected Transactions

Nature of Transaction	Applicable Listing Rules	Waiver Sought	Proposed Annual Cap for the Year Ending December 31,		
			(RMB million)		
			2017	2018	2019
Exempt continuing connected transactions					
Garden Engineering Subcontract Framework Agreement	14A.33	Exempted	N/A	N/A	N/A
Property Leasing Framework Agreement	14A.33	Exempted	N/A	N/A	N/A
Comprehensive Services Framework Agreement	14A.33	Exempted	N/A	N/A	N/A
Non-exempt continuing connected transaction					
Labor Subcontract Framework Agreement	14A.34, 14A.35, 14A.36, 14A.49, 14A.52, 14A.53 and 14A.71	Announcement and independent Shareholders' approval requirements	2,000	4,000	7,000

EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions are conducted in the ordinary course of business of our Group and on normal commercial terms or better, where each of the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as the Directors of our Company currently expect, be less than 0.1% on an annual basis. By virtue of Rule 14A.76(1)(a) of the Listing Rules, the transactions will be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. Garden Engineering Subcontract Framework Agreement

Parties: HCG Garden Engineering (as sub-contractor); and

our Company (as general contractor)

Principal terms:

The Company entered into a garden engineering subcontract framework agreement with HCG Garden Engineering on November 23, 2017 (the "**Garden Engineering Subcontract Framework Agreement**"), pursuant to which, we will subcontract the garden engineering part of projects contracted by us to HCG Garden Engineering from time to time, including but not limited to design, engineering and maintenance of gardening and greening constructions, for which HCG Garden Engineering will charge us construction fees. The Garden Engineering Subcontract Framework Agreement is valid for a term of three years commencing on the Listing Date and can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Garden Engineering Subcontract Framework Agreement.

Reasons for the transaction:

With years of garden construction experience and well-established staff arrangements, HCG Garden Engineering has expertise in garden construction and design, with top-level qualifications in the gardening industry in China. We have been subcontracting the garden engineering part of our construction projects to HCG Garden Engineering prior to the Track Record Period. HCG Garden Engineering has become familiar with our business processes and needs, quality standards and operational requirements through long-term good cooperation with us. Accordingly, our Directors (including our independent non-executive Directors) are of the view that it is in the interests of the Company and the Shareholders as a whole to enter into the Garden Engineering Subcontract Framework Agreement with HCG Garden Engineering.

Pricing policy:

In accordance with the Garden Engineering Subcontract Framework Agreement, the construction fee to be paid by the Group to HCG Garden Engineering will be determined based on the following pricing policies: when the Group subcontracts garden engineering part of our construction projects to garden engineering subcontractors, negotiated bidding, invited bidding or public bidding procedures will be applied. The Group will seek quotations from at least three Independent Third Parties providing garden engineering subcontracting and refer to such pricing and terms, so as to make sure that the construction fee to be paid to the garden engineering subcontractors (including HCG Garden Engineering when it wins the bidding) is fair, reasonable and comparable with prevailing market practices.

Historical amount:

For the three years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, the total transaction amounts between the Group and HCG Garden Engineering were RMB3,908,355, RMB6,604,776, RMB14,426,910 and RMB1,278,000, respectively.

2. Property Leasing Framework Agreement

Parties: Zhongming Zhiye (as the lessor); and

our Company (as the lessee).

Principal terms:

We entered into a property leasing framework agreement with Zhongming Zhiye on November 23, 2017 (the "**Property Leasing Framework Agreement**"), pursuant to which, Zhongming Zhiye may lease properties as offices, workshops, warehouses and/or other work places to our Group, for which Zhongming Zhiye will charge us rental and other charges. The Property Leasing Framework Agreement is valid for a term of three years commencing on the Listing Date and can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Property Leasing Framework Agreement.

Reasons for the transaction:

We have historically occupied certain properties as our offices, workshops, warehouses and/or other work places, which are currently owned by Zhongming Zhiye. Since the relocation of such entities to other premises would result in unnecessary interruptions to our business and would incur unnecessary additional expenses, the Company entered into the Property Leasing Framework Agreement with Zhongming Zhiye to ensure continuing smooth operation of our Group and to save costs.

Pricing policy:

In accordance with the Property Leasing Framework Agreement, the rental and other charges to be paid by the Group to Zhongming Zhiye will be determined based on the following pricing policies:

(1) the rentals and other charges paid by our Group to Zhongming Zhiye will be determined and reviewed based on arm's-length negotiations between Zhongming Zhiye and the Group with reference to the prevailing market rate (including but not limited to factors such as the geographical location, the standard of construction and the surrounding area), and are consistent with market practice; and

(2) the Group shall bear all utility charges, heating fees and other miscellaneous expenses incurred in using the relevant properties during the term of the lease, and also be responsible for costs for maintenance and repair, property taxes and land use taxes.

Historical amount:

During the Track Record Period, the Group did not pay any rental and other charges to Zhongming Zhiye for use of properties.

Our independent property valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, has confirmed that the rentals under the Property Leasing Framework Agreement for the leased properties are fair and reasonable and reflect the prevailing market rates for similar properties situated in the locality that are used for similar purposes in the PRC.

3. Comprehensive Services Framework Agreement

Parties: Zhongming Zhiye (as the service provider); and

our Company (as the service receiver).

Principal terms:

We entered into a comprehensive services framework agreement with Zhongming Zhiye on November 23, 2017 (the "**Comprehensive Services Framework Agreement**"), pursuant to which Zhongming Zhiye and/or its associates may provide certain ancillary services, such as quality inspections for building constructions and surveying and mapping services, for our Group's engineering construction from time to time, for which the Group will pay service fees to Zhongming Zhiye and/or its associates. The Comprehensive Services Framework Agreement is valid for a term of three years commencing on the Listing Date and can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Comprehensive Services Framework Agreement.

Reasons for the transaction:

Among the subsidiaries of Zhongming Zhiye, Hebei Tianbo Group started to provide certain ancillary services, such as quality inspections for building constructions services, for certain construction projects of our Group prior to the Track Record Period. Hebei Tianbo Group has become familiar with our business processes and needs, quality standards and operational requirements through long-term cooperation with us. Hebei Tianbo Group has expertise in consulting and quality inspection services for building constructions and has been among the top in the industry of Hebei Province for its rich experience, excellent technology capacities and quality services. Accordingly, our Directors (including our independent non-executive Directors) are of the view that it is in the interests of the Company and the Shareholders as a whole to enter into the Comprehensive Services Framework Agreement with Zhongming Zhiye.

Pricing policy:

In accordance with the Comprehensive Framework Agreement, the service fee to be paid by the Group to Zhongming Zhiye and/or its associates will be below the relevant government guidance prices of such services and will be determined based on arm's-length negotiations between Zhongming Zhiye and/or its associates and the Group with reference to prevailing market prices, so as to make sure that the service fee to be paid by the Group to Zhongming Zhiye and/or its associates is fair and reasonable and is consistent with market practice.

Historical amount:

For the three years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, the total transaction amounts between the Group and Hebei Tianbo Group were RMB628,877, RMB98,708, RMB939,823 and RMB6,000, respectively.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

The following transaction is conducted in the ordinary and usual course of business of our Group and on normal commercial terms or better, where each of the relevant percentage ratios (except for the profits ratio) calculated for the purpose of Chapter 14A of the Listing Rules will, as our Directors currently expect, be more than 5% on an annual basis. By virtue of Rule 14A.76(2) of the Listing Rules, the transaction will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements.

1. Labor Subcontract Framework Agreement

Parties: Baoding Tianli (as sub-contractor); and

our Company (as contractor).

Principal terms:

We entered into a labor subcontract framework agreement with Baoding Tianli on November 23, 2017 (the "**Labor Subcontract Framework Agreement**"), pursuant to which Baoding Tianli shall provide labor subcontract services to us in our ordinary course of business, including but not limited to contracting for building construction projects and infrastructure construction projects, for which Baoding Tianli will charge the Group subcontract fees (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees). The Labor Subcontract Framework Agreement is valid for a term of three years commencing on the Listing Date and can be renewed for another three years upon its expiry as agreed by relevant parties to the agreement. Relevant subsidiaries or associated companies of both parties will enter into separate underlying agreements which will set out the specific terms and conditions according to the principles provided in the Labor Subcontract Framework Agreement.

Reasons for the transaction:

Baoding Tianli has expertise in labor subcontract services and has established a good reputation for its quality services in the labor industry. The provision of labor subcontract services by Baoding Tianli to our Group started before the Track Record Period, when it was a subsidiary of the Company. Baoding Tianli has become familiar with our business needs and operational requirements through its long-term cooperation with us and thus can provide us with a sufficient number of laborers who have the requisite expertise and experience for our construction business, in a timely manner and in accordance with applicable laws and regulations. Accordingly, although the Company sold Baoding Tianli to Zhongming Zhiye during the Reorganization so as to focus on our principal businesses, the Directors of our Company (including the independent non-executive Directors) are of the view that it is in the interests of the Shareholders as a whole to enter into the Labor Subcontract Framework Agreement with Baoding Tianli.

Pricing policy:

In accordance with the Labor Subcontract Framework Agreement, the total subcontract fee to be paid by the Group to Baoding Tianli will be determined based on the following pricing policy: when the Group subcontracts labor supply for the construction projects, public bidding procedures will be applied. Prior to the bidding procedures, the Group will publish announcements on its bidding invitation on public websites. There must be at least three independent third party bidders attending the bidding procedures, otherwise the bidding will be canceled. The review panel for any bidding consists of experts selected by us as well as the project manager, and the comparable quoted bidding prices (including subcontract service fees, labor wages and social insurance expenses, taxation, auxiliary materials and tools costs, and other fees) is an important, but not the only, factor to be considered. The review panel will also take into consideration factors including, but not limited to, the bidder's sufficient licenses and qualifications, business scale and capacities and its historical results, as well as make reference to prevailing market terms and prices. The bidder with the highest score comprehensively determined by the review panel wins, and the bidding price offered by the bidder will be implemented. Therefore, only in the event that Baoding Tianli wins the bidding with the highest score determined by the review panel, we will enter into business agreements with Baoding Tianli under the Labor Subcontract Framework Agreement.

Historical amount:

For the three years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, the total transaction amounts between the Group and Baoding Tianli were RMB66,543,033, RMB228,889,906, RMB890,904,255 and RMB671,196,528, respectively. The growth in the above total subcontract fee mainly results from (i) the rapid business expansion of the Group; (ii) the enhancing comprehensive business capabilities of Baoding Tianli; and (iii) the increase in labor wages during the Track Record Period.

Annual caps:

For the three years ending December 31, 2017, 2018 and 2019, the maximum annual amounts of total subcontract fees shall not exceed the caps set out below:

	Proposed Annual Caps for the Year Ending December 31,		
	(RMB million)		
	2017	**2018**	**2019**
Total subcontract fee to be paid by us to Baoding Tianli	2,000	4,000	7,000

Basis of caps:

The proposed annual caps under the Labor Subcontract Framework Agreement for the three years ending December 31, 2017, 2018 and 2019 were calculated in consideration of the following factors:

(1) Estimated costs of sales of the Group

We estimate costs of sales by taking into account: (i) our historical performance, our business development plan and expected growth trend in our principal business of construction contracting for the three years ending December 31, 2019; and (ii) the average percentages of our adjusted cost of sales to the adjusted revenue for the three years ended December 31, 2016 and the six months ended June 30, 2017. It is expected that our Group's cost of sales will be increased by approximately 5% to 25% for the three years ending December 31, 2019 together with our business growth;

(2) Estimated percentages of labor costs to costs of sales of the Group

Our labor cost(1) was approximately RMB5,072.6 million, RMB5,455.6 million, RMB8,335.8 million and RMB4,039.5 million for the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017, respectively, accounting for approximately 21.0%, 20.7%, 22.2% and 21.3% of our adjusted cost of sales(2), respectively, during the same period. In recent years, labor wages have been continuously increasing, and as encouraged by relevant PRC regulations and policies such as the reform on construction labor use systems, the management and operation of labor subcontract companies in the PRC have become increasingly specialized and professionalized to provide more comprehensive services (such as equipment of auxiliary materials and tools) than the traditional labor supply model. As a result, it is

(1) The majority of the Group's labor cost came from its construction contracting business segment, which mainly derived from its labor subcontracting expenses.

(2) The majority of the Group's adjusted cost of sales came from its construction contracting business segment, which is our principal business.

expected that construction expenses for auxiliary materials, small tools and others will be included in and thus increase the total labor cost. Therefore, it is estimated that the percentages of our annual labor costs, such as subcontract fees to be paid to labor subcontractors (including Baoding Tianli and/or other independent third-party labor subcontractors), to our total costs of sales for the same period will be steadily increased to approximately 25% to 30% in the next three years; and

(3) Estimated percentages of subcontract fee to be paid to Baoding Tianli to labor costs of the Group

The percentages of the subcontract fee to be paid to Baoding Tianli to the Group's overall labor costs are expected to be increased from approximately 17% for the six months ended June 30, 2017 to approximately 20% to 40% for the three years ending December 31, 2019, based on the following considerations: (i) the historical transaction amounts between the Group and Baoding Tianli for the past three years and up to date (including the total transaction amount of RMB671.2 million for the six months ended June 30, 2017), (ii) the existing labor subcontracting contracts entered into between the Group and Baoding Tianli since 2014 with unsettled amounts as of August 31, 2017, the consideration of which being in the total amount of approximately RMB6,075 million, (iii) the long-term good cooperation between the Group and Baoding Tianli, and (iv) Baoding Tianli's good reputation and increasingly competitive strengths in the PRC labor market as well as its labor supply capacity. In particular, Baoding Tianli enjoys strong advantages in terms of geographical coverage and labor supply capacity, as it is located in the key regions where the Group currently is, and expects to be, developing its business, such as Xiong'an New Area and other areas within the Beijing-Tianjin-Hebei region). Therefore, it is expected that the portion to be taken up by Baoding Tianli out of all labor subcontractors selected by us through public bidding procedures will continue to increase in the future.

INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- Our Company has adopted and implemented a management system on connected transactions. Under such system, the Audit Committee under the Board is responsible for review on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the office of the Board and various internal departments of the Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;

- The Audit Committee under the Board, the office of the Board and various internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;

- Our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy; and

- When considering the actual subcontract fees, rental and service fees, and other prices provided by the Group to the above connected persons, the Group will continue to regularly research in prevailing market conditions and practices and make reference to the pricing and terms between the Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to Independent Third Parties.

WAIVERS FROM THE STOCK EXCHANGE

The Labor Subcontract Framework Agreement entered into between the Company and Baoding Tianli under the sub-section headed "Non-exempt Continuing Connected Transaction" above constitutes continuing a connected transaction of our Group and is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As we expect such non-exempt continuing connected transaction will continue on a recurring and continuing basis, the Directors of our Company (including the independent non-executive Directors) consider that strict compliance with the above announcement and independent shareholders' approval requirements would add unnecessary administrative costs and would be unduly burdensome. Accordingly, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted the Company, a waiver under Rule 14A.105 of the Listing Rules from strict compliance with the announcement and independent shareholders' approval requirements (as the case may be) in respect of the non-exempt continuing connected transaction under the Labor Subcontract Framework Agreement. Our Company will comply with the applicable requirements under the Listing Rules if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of these transactions.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) of our Company are of the view that (i) the Labor Subcontract Framework Agreement has been and will be entered into during our ordinary and usual course of business on normal commercial terms or better, and is fair and reasonable and in the interests of our Company and the Shareholders as a whole, and (ii) the proposed annual caps under the Labor Subcontract Framework Agreement are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the Labor Subcontract Framework Agreement has been and will be entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, and is fair and reasonable and in the interests of the Company and its Shareholders as a whole and (ii) the proposed annual caps under the Labor Subcontract Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

OVERVIEW

The Board currently consists of ten Directors, including four executive Directors, two non-executive Directors and four independent non-executive Directors. All Directors are elected by the general meeting for a term of three years which is renewable upon re-election. The major powers and functions of the Board include, but are not limited to, convening the general meetings, reporting its work at the general meetings, implementing the resolutions passed at the general meetings, considering and approving the operating plans and investment plans of the Company, formulating the Company's strategic development plans, formulating annual financial budgets and final accounts plans, formulating profit distribution plans and plans on making up losses, and exercising other powers and functions as conferred by the Articles of Association.

The Board of Supervisors of the Company consists of five Supervisors. Employee representative supervisors are elected democratically by the employee representatives' meeting, employee meetings or in other ways, while non-employee representative Supervisors are elected by the general meetings. The term of office of each Supervisor is three years, which is renewable upon re-election. The major powers and functions of the Board of Supervisors include, but are not limited to, monitoring the financial activities of the Company, supervising the performance of duties of Directors and senior management and proposing the removal of Directors and senior management who have acted in breach of the laws, administrative regulations, the Articles of Association or the resolutions passed at the general meetings, and exercising other powers and functions as conferred by the Articles of Association.

The following tables set forth information regarding our Directors, Supervisors and senior management.

Directors, Supervisors and Senior Management

The table below sets forth certain information on our Directors:

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Executive Directors						
Mr. Li Baozhong (李寶忠)	47	Chairman of the Board and Executive Director	Responsible for convening and chairing general meetings and Board meetings; Responsible for overall management of the Group and deciding major strategies and the development and investment plan of the Group	July 1992	October 25, 2010	Brother of Mr. Li Baoyuan and uncle of Mr. Li Wutie

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Mr. Shang Jinfeng (商金峰)	40	Executive Director and President	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Deciding and guiding external affairs, major planning and auditing events and major business activities of the Company	July 1998	March 31, 2017	None
Ms. Liu Shuzhen (劉淑珍)	53	Executive Director, Vice President and Chief Economic Officer	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Responsible for, among others, legal affairs, marketing, investment and risk control of the Group	July 1988	December 20, 2013	None
Mr. Liu Yongjian (劉永建)	53	Executive Director and Vice President	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Responsible for, among others, production safety and risk control of the Group	July 1985	December 20, 2013	None

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Director	Relationship with other Directors, Supervisors and senior management
Non-executive Directors						
Mr. Li Baoyuan (李寶元)	66	Honorary Chairman of the Board and Non-executive Director	Responsible for convening and chairing general meetings and Board meetings; Participating in the formulation of business plans, strategic and major decisions of the Group as a member of the Board	December 1970	October 26, 1997	Brother of Mr. Li Baozhong and father of Mr. Li Wutie
Mr. Cao Qingshe (曹清社)	52	Vice Chairman of the Board and Non-executive Director	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board	August 1987	October 25, 2010	None
Independent Non-executive Directors						
Mr. Xiao Xuwen (肖緒文)	64	Independent Non-executive Director	Supervising and offering independent judgment to the Board and/or serving as chairman and/or member of certain committees of the Board	November 2017	November 10, 2017	None
Ms. Shen Lifeng (申麗鳳)	51	Independent Non-executive Director	Same as above	June 2017	June 5, 2017	None
Ms. Chen Xin (陳欣)	34	Independent Non-executive Director	Same as above	June 2017	June 5, 2017	None
Mr. Chan Ngai Sang Kenny (陳毅生)	53	Independent Non-executive Director	Same as above	June 2017	June 5, 2017	None

The following table below sets forth certain information on the Supervisors of the Company, the scope of which is in compliance with our Articles of Association:

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as Supervisors	Relationship with other Directors, Supervisors and senior management
Mr. Mao Yuanli (毛元利)	59	Chairman of the Board of Supervisors and Shareholder Supervisor	Presiding over the Board of Supervisors and monitoring the operation risks and financial activities of the Company as well as the performance of Directors and senior management	December 1974	March 31, 2017	None
Mr. Liu Jingqiao (劉景喬)	55	Employee Supervisor	Monitoring the operation and financial activities of the Company as well as the performance of Directors and senior management	September 1994	March 31, 2017	None
Ms. Feng Xiujian (馮秀健)	39	Shareholder Supervisor	Same as above	September 2000	January 23, 2013	None
Mr. Yue Jianming (岳建明)	44	Employee Supervisor	Same as above	November 1995	March 31, 2017	None
Mr. Wang Feng (王豐)	37	Shareholder Supervisor	Same as above	October 2014	March 31, 2017	None

The following table below sets forth certain information on the senior management of the Company, the scope of which is in compliance with our Articles of Association:

Name	Age	Position	Major duties	Date of joining the Group	Date of appointment as senior management	Relationship with other Directors, Supervisors and senior management
Mr. Shang Jinfeng (商金峰)	40	Executive Director and President	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Deciding and guiding external affairs, major planning and auditing events and major business activities of the Company	July 1998	March 31, 2017	None
Ms. Liu Shuzhen (劉淑珍)	53	Executive Director, Vice President and Chief Economic Officer	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Responsible for, among others, legal affairs, marketing, investment and risk control of the Group	July 1988	October 25, 2010	None
Mr. Liu Yongjian (劉永建)	53	Executive Director and Vice President	Participating in formulation of business plans, strategic and major decisions of the Group as a member of the Board; Responsible for, among others, production safety and risk control of the Group	July 1985	January 17, 2008	None
Mr. Gao Qiuli (高秋利)	59	Vice President and Chief Engineer	Responsible for, among others, technology quality and risk control of the Group	August 1981	July 22, 2001	None
Mr. Zhao Wensheng (趙文生)	48	Chief Accountant and Director of Finance	Responsible for the overall financial and capital management of our Group	June 1989	January 23, 2013	None
Mr. Li Wutie (李武鐵)	30	Board Secretary and Assistant to the President	Assisting the President to deal with various affairs; Acting as the contact person of the Company with the Stock Exchange; Responsible for information disclosures and investor management as well as corporate governance affairs of the Company	July 2013	March 31, 2017	Son of Mr. Li Baoyuan and nephew of Mr. Li Baozhong

DIRECTORS

Executive Directors

Mr. Li Baozhong (李寶忠), aged 47, is the Chairman of the Board and an executive Director of our Company since December 22, 2015. Mr. Li is also the chairman of the Nomination Committee and a member of the Remuneration and Appraisal Committee under the Board of our Company. Mr. Li also serves as the chairman of the board of directors of Zhongming Zhiye, a vice chairman of the board of directors of Zhongru Investment, an executive director and the general manager of Baoding Zhongcheng, a supervisor of Qianbao Investment and Guoxing Global Land Consolidation and Development Co., Ltd. (國興環球土地整理開發有限公司) and a director of Zhongcheng Real Estate, Baoding Tiane Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司), Baoding Mancheng Zhongbao Investment Co., Ltd. (保定市滿城區中寶投資有限公司), Bank of Baoding Co., Ltd. (保定銀行股份有限公司) and Zhongji United Investment Holdings Co., Ltd. (中冀聯合投資控股有限公司), respectively. Mr. Li is a vice president of Hebei Construction Industry Association and the president of Baoding Construction Industry Association. Mr. Li has over 24 years of experience in corporate management and in the construction engineering industry. His previous primary work experience includes: serving as a technician, a deputy project manager and the project manager of Work Zone I of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from July 1992 to December 1996; a vice manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from January 1997 to December 1997; the manager of the Fourth Branch of the Company from January 1998 to December 2010; and a vice Chairman of the Board and a vice President of the Company from December 2010 to December 2015.

Mr. Li obtained an executive master's degree in business administration from Cheung Kong Graduate School of Business in Beijing, the PRC in September 2015. Mr. Li obtained the qualification of senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2009 and the qualification of national certified constructor from the Ministry of Construction of the PRC in January 2008, respectively. Mr. Li was awarded the "Model Worker of Hebei Province (河北省勞動模範)" by the People's Government of Hebei Province in April 2014, the "Model Worker of Baoding (保定市勞動模範)" by the People's Government of Baoding in April 2013, the "National Excellent Worker in Construction Industry (全國建築業先進工作者)" by China Construction Industry Association in October 2016 and the "Quality Award of Hebei Government (河北省政府質量獎)" by the People's Government of Hebei Province in June 2017.

As of the Latest Practicable Date, Mr. Li directly held 5,000,000 shares of Qianbao Investment, a Controlling Shareholder of the Company.

Mr. Li Baozhong is the brother of Mr. Li Baoyuan and uncle of Mr. Li Wutie.

Mr. Shang Jinfeng (商金峰), aged 40, is an executive Director and the President of our Company since March 31, 2017. Mr. Shang is also a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of our Company. Mr. Shang also serves as a director of HCG Tianchen Construction Engineering and Hebei Lvjian Investment Company (河北綠建投資股份公司), and the general manager of Baoding Mancheng District Zhongbao Investment Co., Ltd. (保定市滿城區中寶投資有限公司). Mr. Shang has over 19 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, the person in charge of technology and the project manager of HCG Tianchen Construction Engineering from July 1998 to October 2008; a vice general manager in charge of production of HCG Tianchen Construction Engineering from March 2008 to December 2010; a standing vice general manager and the general manager of HCG Tianchen Construction Engineering from December 2010 to January 2017; and a vice President and a standing vice President of our Company from December 2013 to March 2017.

Mr. Shang obtained an undergraduate diploma in urban construction from the Agricultural University of Hebei Province in Baoding, the PRC in July 1998 and an EMBA degree from Peking University in Beijing, the PRC in January 2016. Mr. Shang obtained the qualifications of national certified constructor from the Ministry of Construction of the PRC in January 2008 and senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2013. Mr. Shang was accredited the "Wusi Youth Medal of Baoding City (保定市五四青年獎章)" jointly from China Communist Youth League Baoding Committee, Bureau of Human Resources and Social Security of Baoding and Baoding Youth Federation in May 2012. Mr. Shang has been awarded as the "Excellent Enterprise Manager in Construction Industry" (建築業優秀企業管理者) by Hebei Building Industry Association for five times from 2012 to 2017 and a second-level candidate of "New Century Triple Talents Project of Hebei Province" (河北省新世紀"三三三人才工程") by Leading Group of "Triple Talents Project" of Hebei Province (河北省"三三三人才工程"領導小組) in December 2015.

As of the Latest Practicable Date, Mr. Shang directly held 1,000,000 shares in Zhongru Investment, a Controlling Shareholder of the Company.

Ms. Liu Shuzhen (劉淑珍), aged 53, is an executive Director of our Company since December 20, 2013 and a vice President and the Chief Economic Officer of our Company since October 25, 2010. Ms. Liu also serves as a director of HCG Zhuocheng Road and Bridge Engineering, Zhongcheng Real Estate, Baoding Tiane Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司), Hebei Zhongru Software Technology Co., Ltd (河北中儒軟件科技股份有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司) and Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司), respectively. Ms. Liu has more than 27 years of experience in corporate management. Her previous primary work experience includes: serving as a teacher of the Vocational Education Centre of No. 1 Construction Engineering Company of Hebei Province from July 1988 to May 1990; the person in charge of measurement affairs of the Overall Quality Office of No. 1 Construction Engineering Company of Hebei Province from May 1990 to December 1992; the section director in charge of corporate management of the 20th work zone of No. 1 Construction Engineering Company of Hebei Province from January 1993 to December 1997; a vice manager in charge of corporate management of HCG Tianchen Construction Engineering from December 1997 to January 2001; a vice general manager in charge of corporate management and the chief economic officer of HCG Tianchen Construction Engineering from January 2001 to April 2005; and the general manager of HCG Tianchen Construction Engineering from January 2005 to October 2010.

Ms. Liu obtained a bachelor's degree of science in mechanics from the Mathematics Department of Hebei University in Baoding, the PRC in July 1988 and a master's degree of engineering in structural engineering from Tianjin University in Tianjin, the PRC in March 2003. Ms. Liu was awarded the qualification of national certified constructor (in construction engineering major) by the Ministry of Construction of the PRC in January 2008 and the title of senior engineer by the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2008. Ms. Liu received the 2005, 2006, 2007 and 2010 "Excellent Corporate Manager in Construction Industry of Hebei Province" in 2006, 2007, 2008 and 2011, respectively, and the "2014 Excellent Management of Engineering, Economy and Technology in Baoding (保定市2014年度優秀工程經濟技術管理工作者)" in 2015. Ms. Liu is currently the vice president of China Tendering & Bidding Association (中國招投標協會) and a council member of the China Concession Specialized Committee (中國招投標協會特許經營專業委員會).

As of the Latest Practicable Date, Ms. Liu directly held 2,000,000 shares in Zhongru Investment, a Controlling Shareholder of the Company.

Mr. Liu Yongjian (劉永建), aged 53, is an executive Director of our Company since December 20, 2013 and a vice President of our Company since January 17, 2008. Mr. Liu also serves as a director of HCG Decoration Engineering and Hebei Zhiping Construction Equipment Leasing Co., Ltd. (河北治平建築設備租賃有限公司), respectively. Mr. Liu is also an external postgraduate tutor in the Institute of Urban and Rural Construction of Agricultural University of Hebei and an adjunct professor at the College of Civil Engineering and Architecture of Hebei University. Mr. Liu has more over 32 years of experience in the construction engineering industry and corporate management. His previous primary work experience includes: serving as a technician, quality inspection technician of Engineering Division I of No. 1 Construction Engineering Company of Hebei Province and project manager of the Company from July 1985 to December 2000; a vice manager and the manager of the First Branch of the Company from January 2001 to December 2010; and a vice President (non-standing) of the Company from January 2008 to December 2010.

Mr. Liu obtained a technical secondary school diploma in industrial and civil construction from Hebei Institute of Architecture and Civil Engineering in Zhangjiakou, China in July 1985, an academic diploma from a post-secondary course for construction engineering (through correspondence course) from Hebei University of Architecture in Zhangjiakou, the PRC in June 2001, a master of engineer degree in water conservancy and hydropower engineering from Agricultural University of Hebei Province in Baoding, the PRC in June 2002 and a doctor's degree of engineering in structural engineering from Tianjin University in Tianjin, the PRC in June 2012. Mr. Liu obtained the qualifications of national certified constructor (in construction engineering major) from the Ministry of Construction of the PRC in January 2008 and senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in June 2009. Mr. Liu was selected as a third-level candidate of the "New Century Triple Talents Project of Hebei Province" (河北省新世紀"三三三人才工程") by the Leading Group of New Century "Triple Talents Project" of Hebei Province (河北省"三三三人才工程"領導小組) in December 2007; the "2008 Young and Middle-aged Experts with Outstanding Contribution to Hebei Province (河北省有突出貢獻中青年專家)" by the People's Government of Hebei Province in August 2008.

As of the Latest Practicable Date, Mr. Liu directly held 2,000,000 shares in Zhongru Investment, a Controlling Shareholder of the Company.

Non-Executive Directors

Mr. Li Baoyuan (李寶元), aged 66, is the honorary Chairman of the Board and a non-executive Director of our Company since December 22, 2015. Mr. Li is also a member of the Audit Committee under the Board of our Company. Mr. Li also serves as the chairman of the board of directors of Zhongru Investment and Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司), an executive director and the general manager of Qianbao Investment, and a director of Baoding Taiheng Heyi Cement Co., Ltd. (保定太行和益水泥有限公司) and Zhongming Zhiye. Mr. Li is a vice president of China Construction Industry Association. Mr. Li has over 46 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a trainee, budget planner, vice subsection chief of the planning subsection of Division I, a deputy head of Team 2 of Division I and the head of Team 2 of Division I of No. 1 Construction Engineering Company of Hebei Province from 1970 to 1984; the head of Team 2 of Division I, the head of the 101 Engineering Team (formerly Team 2 of Division I), the director of Working Area I, the manager and an assistant to the manager of the Fourth Branch of No. 1 Construction Engineering Company of Hebei Province from October 1986 to September 1991; a vice manager of the No. 1 Construction Engineering Company of Hebei Province from September 1991 to August 1995; the general manager and secretary to the Party Committee of No. 1 Construction Engineering Company of Hebei Province from August 1995 to October 1997; the Chairman of the Board from October 1997 to December 2015 and the honorary Chairman of the Board and a non-executive Director of the Company since December 2015; the President of the Company from October 1997 to January 2006; and the secretary to the Party Committee of the Company since October 1997. Mr. Li was elected as a representative of the ninth, tenth and eleventh sessions of the National People's Congress from March 1998 to March 2013.

Mr. Li obtained an academic diploma from a post-secondary course for Party and government cadres from Hebei Radio and TV University in Shijiazhuang, the PRC in July 1986, an undergraduate degree in economics and management (through correspondence course) from the Correspondence College of the Party School of the Central Committee of C.P.C. (中共中央黨校函授學院) in Beijing, the PRC in December 1998. He also obtained a PhD degree in business administration from International East-West University in the United States in May 2009. Mr. Li obtained the qualifications of senior economist from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2006. Mr. Li was granted a special government allowance and the certificate by the State Council in April 2007. He was awarded the title of "Outstanding Pioneer in Corporate Reform of Hebei Province (河北省企業改革標兵)" by the People's Government of Hebei Province in December 1998, the "Model Worker of Hebei Province (河北省勞動模範)" by the People's Government of Hebei Province in April 1999, the "National Model Worker (全國勞動模範)" by the State Council in April 2000 and "Excellent Enterprise Director (河北省優秀企業家)" by the People's Government of Hebei Province in June 2001. He received the "Hebei Province Special Quality Award (河北省質量特別獎)" from the People's Government of Hebei Province in December 2003 and the title of "Young and Middle-aged Expert with Outstanding Contributions in Hebei Province" by the People's Government of Hebei Province in April 2005.

Mr. Li is a Controlling Shareholder of the Company. Please see "Substantial Shareholders" for details.

Mr. Li is the brother of Mr. Li Baozhong and the father of Mr. Li Wutie.

Mr. Cao Qingshe (曹清社), aged 52, is a vice Chairman of the Board and a non-executive Director of our Company since March 31, 2017. Mr. Cao is also a member of the Audit Committee under the Board of our Company. Mr. Cao also serves as an executive director and the general manager of Zhongming Zhiye, the general manager of Zhongru Investment, and a director of Zhongcheng Real Estate, Shenxian Mountain Tourism Development Co., Ltd. (神仙山旅遊發展有限公司) and Feihu Tourism Development Co., Ltd. (飛狐旅遊發展有限公司), respectively. Mr. Cao has over 30 years of experience in corporate management and the construction engineering industry. His previous primary work experience includes: serving as a vice manager and the manager of the Instalment Branch of No. 1 Construction Engineering Company of Hebei Province (河北省第一建築工程公司安裝分公司) from September 1996 to December 2004; a vice President of the Company from June 2001 to December 2004; a standing vice President of the Company from January 2005 to December 2005; and the President of the Company from January 2006 to March 2017.

Mr. Cao obtained a bachelor's degree of engineering in heating ventilation from the Urban Construction Department of Hebei University of Architecture (河北建築工程學院) in Zhangjiakou, the PRC in July 1987 and a master's degree of engineering in architecture and civil engineering from Tianjin University in Tianjin, the PRC in March 2003. Mr. Cao obtained the qualification of senior engineer from the Professional Technician Management Division of the Hebei Provincial Department of Human Resources and Social Security (河北省人力資源和社會保障廳專業技術人員管理處) in December 2003 and the qualification of national certified constructor from the Ministry of Construction of the PRC in January 2008, respectively. Mr. Cao was awarded the first session of "Top Ten Excellent Youth (十大傑出青年)" jointly by China Communist Youth League Baoding Committee (共青團保定市委員會) and other authorities in September 1995, the "Model Worker of Baoding City for years 1998 to 2000 (保定市1998-2000年勞動模範)" by the People's Government of Baoding City in April 2001; "Excellent Worker for Urban Construction for 2011 (2001年度城市建設先進工作者)" by the People's Government of Baoding City in March 2002; "Excellent Individual for Construction of Lu Ban Award (創建魯班獎工程先進個人)" by China Construction Industry Association in December 2012; and "National Excellent Worker in Construction Industry (全國建築業先進工作者)" by China Construction Industry Association in October 2016. He also obtained the "First-class Award for Technology Improvement (科技進步一等獎)" from the Ministry of Construction of Hebei Province in April 2003 for the Experiment and Device Development Project of Biofilm Filtering Reactor for Recycling of Urban Sewage (用於城市污水回用的生物膜過濾反應器實驗及設備開發項目), the "Second-class Award for Science and Technology of Hebei Province (河北省科學技術二等獎)" from the People's Government of Hebei Province in December 2014, and the "Quality Award (Individual) of Hebei Government (河北省政府質量獎(個人獎))" from the People's Government of Hebei Province in December 2013.

As of the Latest Practicable Date, Mr. Cao directly held 5,000,000 shares in Zhongru Investment, a Controlling Shareholder of the Company.

Independent Non-Executive Directors

Mr. Xiao Xuwen (肖緒文), aged 64, was appointed as an independent non-executive Director of our Company on November 10, 2017 and will be effective upon Listing. Mr. Xiao also serves as consulting chief engineer of the technology center of China State Construction Engineering Corporation Ltd (中國建築股份有限公司) (a listed Company on the Shanghai Stock Exchange, stock code: 601668). Mr. Xiao is a vice president of China Construction Industry Association, a standing vice president of China Construction Industry Association Branch of Green Building and Construction (中國建築業協會綠色建造與施工分會) and a standing vice head of the Construction Engineering Technology Expert Committee of China Construction Industry Association (中國建築業協會建築工程技術專家委員會). Mr. Xiao has more than 40 years of experience in the construction engineering industry (especially specializing in research and development of construction engineering technologies) and corporate management. His previous primary work experience includes: consecutively serving in various positions of China Construction Eighth Division (中國建築第八工程局) from May 1983 to January 2008, including as a technician, a designer, the head of the Design Institute, a vice chief engineer (at division level) and the chief engineer, and serving as the general manager of the Technology Department of China State Construction Engineering Corporation Ltd from January 2008 to June 2012.

Mr. Xiao graduated from Tsinghua University in Beijing, the PRC in January 1977, majoring in industry and civil construction. Mr. Xiao obtained the qualification of senior engineer (professor level) from China State Construction Engineering Corporation (中國建築工程總公司) in December 2000. Mr. Xiao obtained the Second Prizes of the National Science and Technology Progress Award (國家科學技術進步獎二等獎) from the State Council for Research on Construction Technology of Modern Stadiums (現代化體育場施工技術研究), Research and Application of Construction Technology on Prestressing Force of Long-span Space Steel Structure (大跨空間鋼結構預應力施工技術研究與應用) and Key Technology and Application of Super High and Complicated High-rise Architecture Structures (超高及複雜高層建築結構關鍵技術與應用) in February 2007, November 2010 and December 2013, respectively.

Ms. Shen Lifeng (申麗鳳), aged 51, was appointed as an independent non-executive Director of our Company on June 5, 2017 and will be effective upon Listing. Ms. Shen is also the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration and Appraisal Committee under the Board of our Company. Ms. Shen also serves as chief director in charge of PRC businesses of Chong & Partners LLP. Ms. Shen is a standing committee member of the Federation of Industry and Commerce of Hebei Province (河北省工商業聯合會), a vice president of the General Chamber of Commerce of Hebei Province (河北省總商會), a founding arbitrator of the Arbitration Committees of Shijiazhuang and Langfang, respectively. Ms. Shen has more than 27 years of experience in law, investment and financing management and corporate management. Her previous primary work experience includes: serving as a teaching assistant in the Department of Law of Hebei University 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 SOE from May 2006 to December 2007; and 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.

Ms. Shen obtained a bachelor of law degree from the Department of Law of Hebei University in Baoding, the PRC in July 1987, graduated from the Department of Economics of Hebei University in Baoding, the PRC in May 1999 and obtained a master's degree of economics in world economy, obtained a doctor of law degree in civil and commercial law from the School of Law of Peking University in Beijing, the PRC in June 2005 and a master's degree in Buddhist studies from the Faculty of Arts of the University of Hong Kong in 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 Qualification Reform Leading Group Office of 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 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 sixth and seventh sessions of the Party Congress of Hebei Province.

Ms. Chen Xin (陳欣), aged 34, was appointed as an independent non-executive Director of our Company on June 5, 2017 and will be effective upon Listing. Ms. Chen is also the chairman of the Remuneration and Appraisal Committee and a member of the Audit Committee and the Nomination Committee and under the Board of our Company. Ms. Chen also serves as head of HR of Fortune Fountain Capital Limited. Ms. Chen has more than 10 years of experience in corporate management. Her previous primary work experience includes: serving as a financial advisor and accountant assistant in the financial department, and a deputy manager of the personnel unit in administration & personnel department of COSCO (HK) Industry & Trade Holdings Ltd. from February 2008 to February 2016; and the head of HR and administration department of Zhongrong International Securities Co., Ltd. from February 2016 to May 2016.

Ms. Chen obtained a bachelor's degree in accounting and finance from University of Southampton in Southampton, the United Kingdom in June 2006, and a master's degree in international management from University of London, King's College in London, the United Kingdom in December 2007.

Mr. Chan Ngai Sang Kenny (陳毅生), aged 53, was appointed as an independent non-executive Director of our Company on June 5, 2017 and will be effective upon Listing. Mr. Chan is also a member of the Audit Committee and the Nomination Committee and Remuneration and Appraisal Committee of the Board of our Company. Prior to joining the Company, Mr. Chan worked at Ernst & Young from July 1989 to March 1997. Since April 1997 to date, he has served as the principal of Kenny Chan & Co. Mr. Chan has served as an independent non-executive director of Combest Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 08190) since January 2002, an independent non-executive director of TSC Group Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 00206) since October 2005, an independent non-executive director of Sing On Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 08352) since December 2016, an independent non-executive director of Minsheng Education Group Company Limited since March 2017 and an independent non-executive director of Zhongyuan Bank Co., Ltd. (a listed company on the Hong Kong Stock Exchange, stock code: 1216) since May 2017. Mr. Chan served as an independent non-executive director of Convoy Global Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 01019) from April 2015 to November 2017, an independent non-executive director of WLS Holdings Limited (a listed company on the Hong Kong Stock Exchange, stock code: 08021) from April 2015 to November 2017 and an independent non-executive director of AMCO United Holding Limited (a listed company on the Hong Kong Stock Exchange, stock code: 00630) from June 2015 to July 2017,

Mr. Chan obtained a bachelor of commerce degree in accounting and finance from The University of New South Wales in Sydney, Australia in October 1988. He is a certified public accountant and a fellow member of the Hong Kong Institute of Certified Public Accountants. From 2009 to 2010, he served as the District Governor of Lions Clubs International District 303 – Hong Kong & Macao. From 2012 to 2015, he was the president of the Hong Kong Branch of the International Institute of Certified Public Accountants. He has been a member of the Youth Programme Co-ordinating Committee of Commission on Youth since April 2015, and was president of the Hong Kong Youth Cultural & Arts Competition, sponsored by the Home Affairs Department of the Hong Kong Special Administrative Region since 2016. He was awarded the certificate of Commendation by the secretary for Home Affairs of the Hong Kong Special Administrative Region in 2016.

Save as disclosed above, none of our Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules. Save as disclosed in this prospectus, none of the Directors have any interests in any businesses, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

SUPERVISORS

Mr. Mao Yuanli (毛元利), aged 59, is the Chairman of the Board of Supervisors and a shareholder Supervisor of our Company since March 31, 2017. Mr. Mao is also a vice secretary of the Party Committee, the chairman of the Labor Union and the secretary of the Commission for Inspecting discipline of our Company. Mr. Mao also serves as the chairman of board of directors of Hebei Qianyuan Agricultural Technology Development Co., Ltd. (河北乾元農業科技開發有限公司) and a director of Datang Baoding Heat Supply Co., Ltd. (大唐保定供熱有限公司) and HCG Garden Engineering, respectively, and a supervisor of Zhongru Investment and Zhongming Zhiye. Mr. Mao's previous primary work experience includes: serving as a worker in the general factory of No. 1 Construction Engineering Company of Hebei Province from December 1974 to November 1975; a plumbing technician of the fourth division of No. 1 Construction Engineering Company of Hebei Province from October 1977 to June 1985; the person in charge of technology of the boiler ventilation equipment installation group of No. 1 Construction Engineering Company of Hebei Province from July 1985 to June 1991; a vice manager of the equipment installation branch of No. 1 Construction Engineering Company of Hebei Province from February 1991 to January 1994; an assistant to general manager of No. 1 Construction Engineering Company of Hebei Province and the manager of its Instalment Branch from June 1994 to July 1996; a vice general manager of No. 1 Construction Engineering Company of Hebei Province from August 1996 to December 1997; a standing vice general manager and a director of the Company from January 1998 to December 2000; the chairman and the general manager of HCG Tianchen Construction Engineering from January 2001 to January 2005; a vice President of the Company from January 2005 to December 2010; and a director of the Company from April 2005 to March 2017.

Mr. Mao obtained an academic diploma from a post-secondary course for heating and ventilation from Zhangjiakou Construction Engineering Institute of Hebei Province (河北省張家口建築工程學校, currently known as Hebei University of Architecture) in Zhangjiakou, the PRC in September 1977. Mr. Mao obtained the qualification of national certified constructor from the Ministry of Construction of the PRC in January 2008 and the qualification of senior engineer from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2005, respectively. Mr. Mao was awarded the "Excellent Individual in the Wenchuan Earthquake Post-disaster Reconstruction (汶川地震災後恢復重建先進個人)" by the Ministry of Human Resources and Social Security, National Development and Reform Commission and People's Liberation Army General Political Department in October 2011 and the "National Excellent Worker for the Labor Union (全國優秀工會工作者)" by All-China Federation of Trade Union in December 2015.

As of the Latest Practicable Date, Mr. Mao directly held 1,000,000 shares in Zhongru Investment, a Controlling Shareholder of the Company.

Mr. Liu Jingqiao (劉景喬), aged 55, is an employee Supervisor of our Company since March 31, 2017. Mr. Liu also serves as the director of the Office of Party and Administration of the Company, the chairman of board of directors of Yuncai Network Technology Co., Ltd. (雲采網絡技術有限公司), Shenxian Mountain Tourism Development Co., Ltd. (神仙山旅遊發展有限公司) and Feihu Tourism Development Co., Ltd. (飛狐旅遊發展有限公司), respectively and a director of Hebei Qianyuan Agricultural Technology Development Co., Ltd. (河北乾元農業科技開發有限公司). Mr. Liu's previous primary work experience includes: serving as an employee of the health system of Fuping County of Hebei Province from August 1981 to August 1986; the head of the reporting group of the publicity department of the Party committee of Fuping County of Hebei Province and an organizer (at deputy division level) of the organization department of the Party Committee of Fuping County of Hebei Province; a secretary of the Company from September 1994 to January 2001; a deputy director of the office of the Party Committee and the Board secretary of the Company from January 2001 to December 2012; a deputy office director of the Company from April 2002 to February 2009; an office director of the Company, a director of the General Management Office, a deputy head of the Security Department and the secretary to the Party Committee of the Company from February 2009 to December 2012; and the Board secretary of the Company from November 2010 to April 2017.

Mr. Liu obtained an undergraduate academic diploma in law (through correspondence course) from Open College of the Central Party School of C.P.C. (中共中央黨校函授學院) in Beijing, the PRC in December 2001.

As of the Latest Practicable Date, Mr. Liu directly held 500,000 shares in Zhongru Investment, a Controlling Shareholder of the Company.

Ms. Feng Xiujian (馮秀健), aged 39, is a shareholder Supervisor of our Company since January 23, 2013. Ms. Feng also serves as a vice Chief Accountant and the head of Finance Management Department of the Company and a supervisor of Zhongcheng Real Estate, Hebei Zhiping Construction Equipment Leasing Co., Ltd. (河北治平建築設備租賃有限公司), Yuncai Network Technology Co., Ltd. (雲采網絡技術有限公司), Hebei Zhongru Software Technology Co., Ltd. (河北中儒軟件科技股份有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司) and Baoding Taihang Heyi Cement Co., Ltd. (保定太行和益水泥有限公司), respectively. Ms. Feng's previous primary work experience includes: serving as an accountant of the Steel Structures Branch of the Company from September 2000 to August 2004; a deputy head and the head (at division level) of the Finance Division of Concrete Branch of the Company from August 2004 to May 2009; and a deputy head of the Finance Management Department of the Company from June 2009 to December 2009.

Ms. Feng obtained a bachelor's degree in accounting from Hebei University of Economics and Business in Shijiazhuang, the PRC in July 2000. Ms. Feng obtained the qualification of senior accountant from the Office of Qualification Reform Leading Group of Hebei Province (河北省職稱改革領導小組辦公室) in December 2008.

Mr. Yue Jianming (岳建明), aged 44, is an employee Supervisor of our Company since March 31, 2017. Mr. Yue also serves as the head of the Legal Affairs Department of the Company, and a supervisor of HCG Tianchen Construction Engineering, HCG Zhuocheng Road and Bridge Engineering, HCG Installment Engineering and HCG Garden Engineering, respectively. He is also a consultation expert of National Development and Reform Commission, a mediator of Mediation Centre of China Construction Industry Association, an arbitrator of China International Economics and Trade Arbitration Commission and Shanghai Arbitration Commission, a consultant expert of Hebei Urban Construction Investment & Financing Association, an editor of textbook for the National Grade I Practising Qualification Certificate Constructor Examination, a vice director committee member of the Real Estate and Construction Engineering Law Profession Committee of China Legal Consulting Centre (中國法律諮詢中心房地產與建築工程法律專業委員會), an expert in the NDRC expert pool (國家發改委PPP專家庫), a council member of China Experts Association (中國專家學者協會), an adjunct professor at the College of Political Science and Law of Hebei University, a researcher of Real Estate Law Research Centre of China University of Political Science and Law, a member of the Legal Expert Consulting Committee of the People's Government of Baoding (保定市人民政府法制專家諮詢委員會) and a researcher of the China Behavior Law Association and Joint Major and Difficult Cases Research Centre (中國行為法學會及法聯重大疑難案件研究中心). Mr. Yue's previous primary work experience includes: serving as the legal counsel of the Company from September 1995 to March 2006; and a deputy head of the Economic Contract Department of the Company from April 2006 to March 2009.

Mr. Yue obtained a master's degree in law from China University of Political Science and Law in Beijing, the PRC in July 2015. Mr. Yue obtained the qualifications of senior economist from Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2013. He also obtained the qualification of corporate legal counsel jointly issued by the Ministry of Personnel, National Economics and Trade Commission and the Ministry of Justice in June 1999, the legal profession qualification from the Ministry of Justice in February 2006, and the qualification of construction project manager from China Construction Industry Association in June 2010.

As of the Latest Practicable Date, Mr. Yue directly held 500,000 shares in Zhongru Investment, a Controlling Shareholder of the Company.

Mr. Wang Feng (王豐), aged 37, is a shareholder Supervisor of our Company since March 31, 2017. Mr. Wang also serves as the head of the Inspection and Auditing Department of the Company, and a supervisor of HCG Tianchen Construction Engineering, HCG Decoration Engineering, HCG Zhuocheng Land and Road Engineering, HCG Installment Engineering and HCG Garden Engineering, respectively. Mr. Wang's previous primary work experience includes: serving as a teacher at No.10 Middle School of Dalad Qi, Inner Mongolia from September 2003 to August 2004, an information commissioner of the office of the Party Committee of Dalad Qi, Inner Mongolia from September 2004 to August 2005, the human resource manager of Aishengya (Baoding) Package Company Limited (愛生雅(保定)包裝有限公司) from September 2008 to June 2010, the human resource manager of Baoding International Paper Package Company Limited (保定國際紙業包裝有限公司) from September 2010 to December 2013, and the secretary to the vice Chairman of the Board of the Company from January 2014 to September 2014.

Mr. Wang obtained an academic diploma from a post-secondary course for computer and application from Inner Mongolia University of Technology in Hohhot, the PRC in July 2003, and an academic diploma of undergraduate course in English language from Hebei University in Baoding, the PRC in April 2009. Mr. Wang obtained the qualification of constructor from the Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in September 2016.

Save as disclosed above, none of our Supervisors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus. Save as disclosed herein, to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Supervisors that need to be brought to the attention of our Shareholders and there was no information relating to our Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules. Save as disclosed in this prospectus, none of our Supervisors have any interests in any businesses, other than our Group's business, which competes or is likely to compete, either directly or indirectly, with our Group's business.

SENIOR MANAGEMENT

Mr. Shang Jinfeng (商金峰). See "– Director – Executive Director".

Ms. Liu Shuzhen (劉淑珍). See "– Director – Executive Director".

Mr. Liu Yongjian (劉永建). See "– Director – Executive Director".

Mr. Gao Qiuli (高秋利), aged 59, is a vice President and the Chief Engineer of our Company since July 22, 2001. Mr. Gao also serves as the chairman of the board of directors of Hebei Lvjian Investment Company (河北綠建投資股份公司) and a director of HCG Installment Engineering, Hebei Zhongru Software Technology Co., Ltd (河北中儒軟件科技股份有限公司) and Hebei Tianbo Construction Technology Co., Ltd. (河北天博建設科技有限公司), respectively. Mr. Gao has over 36 years of experience in the construction engineering industry and technical and quality management. His previous primary work experience includes: serving as a technician and the person in charge of technology of No. 1 Construction Engineering Company of Hebei Province from July 1981 to December 1988; the head in charge of technology and the head of No. 1 Construction Engineering Company of Hebei Province from January 1988 to November 1994; a deputy head and the head (at division level) of the quality and technology division of No. 1 Construction Engineering Company of Hebei Province from December 1994 to November 1997; a vice chief engineer and a vice general manager of No. 1 Construction Engineering Company of Hebei Province from December 1997 to December 1998; and the chief engineer and a vice general manager of No. 1 Construction Engineering Company of Hebei Province from January 1999 to June 2001.

Mr. Gao obtained an academic diploma of undergraduate course in architecture engineering (through correspondence course) from Harbin University of Civil Engineering and Architecture (currently known as Harbin Institute of Technology) in Harbin, the PRC in July 1997, a master's degree in architecture and civil engineering from Tianjin University in Tianjin, the PRC in March 2002, and a doctor's degree of engineering in architecture technology and management from Tianjin University in Tianjin, the PRC in June 2011. Mr. Gao obtained the qualification of senior engineer from Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in December 2002 and the qualification of national certified constructor from the Ministry of Construction of the PRC in January 2008, respectively. Mr. Gao was awarded the National Advanced Construction Technology Individual for the "Tenth Five-year Period" by the Ministry of Construction of the PRC in June 2006 and received the Second-class Award for Technology Improvement from the People's Government of Hebei Province in December 2007 and December 2014 respectively. He obtained the National Quality Award for Individuals from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC in September 2011 and the Second-class Award for National Technology Improvement Award from the State Council of the PRC in December 2011.

As of the Latest Practicable Date, Mr. Gao directly held 1,000,000 shares in Zhongru Investment, a Controlling Shareholder of the Company.

Mr. Zhao Wensheng (趙文生), aged 48, is the Chief Accountant and the Director of Finance of the Company since January 23, 2013. Mr. Zhao also serves as the chairman of the board of supervisors of HCG Zhuocheng Road and Bridge Engineering, HCG Installment Engineering, HCG Decoration Engineering and Zhongji United Investment Holdings Co., Ltd. (中冀聯合投資控股有限公司), and a supervisor of HCG Tianchen Construction Engineering, Zhongcheng Real Estate, Baoding Mancheng Zhongbao Investment Co., Ltd. (保定市滿城區中寶投資有限公司), Hebei Lvjian Investment Company (河北綠建投資股份公司), Hebei Tianbo Construction Technology Co., Ltd. (河北天博建設科技有限公司) and Hebei Construction Group Qianqiu Management Co., Ltd. (河北建設集團千秋管業有限公司), Zhuocheng Road and Bridge, respectively. Mr. Zhao is also a standing member of China Construction Accounting Institute (中國建設會計學會) and a vice president of Hebei Institute of Construction Accounting (河北省建設會計協會). Mr. Zhao's previous primary work experience includes: serving as an accountant of No. 1 Construction Engineering Company of Hebei Province from July 1989 to January 1997; the head of finance department of HCG Decoration Engineering from January 1997 to July 2005; a deputy head of the Financial Audit Department of the Company from June 2005 to April 2006; and the head of Financial Management Department of the Company from April 2006 to January 2013.

Mr. Zhao obtained a bachelor's degree in management majoring in accounting (self-study) from Hebei University of Economics and Business in Shijiazhuang, the PRC in June 2004. Mr. Zhao obtained the qualification of senior accountant from Qualification Reform Leading Group Office of Hebei Province (河北省職稱改革領導小組辦公室) in June 2009.

As of the Latest Practicable Date, Mr. Zhao directly held 1,000,000 shares in Zhongru Investment, a Controlling Shareholder of the Company.

Mr. Li Wutie (李武鐵), aged 30, is the Board secretary of our Company since March 31, 2017 and the assistant to the President of our Company since January 2015. Mr. Li's previous primary work experience includes working at the Inspection and Audit Department and Market Operation Department of the Company from July 2013 to December 2014.

Mr. Li obtained a bachelor of science (economics) degree in financial and business economics from Royal Holloway and Bedford New College of University of London in London, the United Kingdom in August 2011, and a master of science degree in accounting, accountability and financial management from King's College of London in London, the United Kingdom in December 2012.

Mr. Li Wutie is the son of Mr. Li Baoyuan and nephew of Mr. Li Baozhong.

Save as disclosed herein, none of the senior management of our Company held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this prospectus.

JOINT COMPANY SECRETARIES

Mr. Li Wutie (李武鐵). See "– Senior Management".

Ms. Wong Wai Ling (黃慧玲), is one of the joint company secretaries of the Company. Ms. Wong has more than 13 years of experience in corporate secretarial affairs. Ms. Wong is the assistant vice president of SW Corporate Services Group Limited and is responsible for assisting listed companies in professional company secretarial work. Prior to joining SW Corporate Services Group Limited, she worked in a corporate service provider and the company secretarial department of an international accounting firm. Ms. Wong obtained a Bachelor of Arts degree in marketing and public relations from the Hong Kong Polytechnic University and a Master's degree in corporate governance from the Open University of Hong Kong. Ms. Wong has been 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.

BOARD COMMITTEES

The Company has established three Board committees in accordance with the relevant PRC laws and regulations and the corporate governance practice under the Listing Rules, including the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee.

Audit Committee

The Audit Committee of the Company consists of five Directors, namely Ms. Shen Lifeng, Mr. Li Baoyuan, Mr. Cao Qingshe, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. Ms. Shen Lifeng, an independent non-executive Director of the Company, currently serves as the chairwoman of the Audit Committee. The primary duties of the Audit Committee are as follows:

1. to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

2. to review the financial information and relevant disclosures of the Company;

3. to consider and approve the risk management and internal control evaluation proposal of the Company, and supervise and evaluate the risk management and internal control of the Company;

4. to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of internal audit of the Company and formulate the medium-to long-term audit plan, annual working plan and internal audit system setting plan of the Company as authorized by the Board, and report to the Board;

5. to propose the appointment or dismissal of an external accounting firm, supervise the work of the external accounting firm, and evaluate the report of the external accounting firm to ensure that the external accounting firm undertakes its audit responsibilities;

6. to facilitate communications and monitor the relationship between the internal audit department and the external accounting firm;

7. to monitor the non-compliance of the Company in respect of the financial reports and the risk management and internal control; and

8. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

Nomination Committee

The Nomination Committee of the Company consists of five Directors, namely Mr. Li Baozhong, Mr. Shang Jinfeng, Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. Mr. Li Baozhong, the Chairman of the Board and executive Director of the Company, currently serves as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are as follows:

1. to formulate procedures and standards for the election of Directors and senior management and make recommendations to the Board on the proposed procedures and standards;

2. to make recommendations to the Board on the nomination of candidates for Directors, Presidents and secretary of the Board;

3. to preliminarily examine the eligibility of candidates for Directors and senior management;

4. to make recommendations to the Board on the nomination of candidates for chairmen and members of the Board committees; and

5. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee of the Company consists of five Directors, namely Mr. Li Baozhong, Mr. Shang Jinfeng, Ms. Shen Lifeng, Ms. Chen Xin and Mr. Chan Ngai Sang Kenny. Ms. Chen Xin, an independent non-executive Director of the Company, currently serves as the chairwoman of the Remuneration and Appraisal Committee. The primary duties of the Remuneration and Appraisal Committee are as follows:

1. to organize and formulate the remuneration policy and plan of Directors and senior management and submit to the Board for approval, and propose the remuneration distribution plan according to the performance evaluation of Directors and senior management and submit to the Board for approval; and

2. other matters required by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the Shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

REMUNERATION AND COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Company offers the executive Directors, Supervisors and senior management, as its employees, with remuneration in the form of salaries, incentive payments, housing allowances, pensions and other social insurance benefits. Independent non-executive Directors receive compensation according to their duties (including serving as members or chairmen of the Board committees).

For the three years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, the aggregate remuneration before tax paid to our Directors, Supervisors and senior management was approximately RMB5,506,000, RMB6,305,000, RMB6,805,000 and RMB3,551,000, respectively. In accordance with the arrangements currently in force, the aggregate remuneration before tax payable to the Directors and Supervisors for the year ending December 31, 2017 is estimated to be approximately RMB8,264,800.

For the three years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, the aggregate remuneration before tax paid to our five highest paid individuals by the Group was approximately RMB2,624,000, RMB4,415,000, RMB4,988,000 and RMB1,778,000, respectively.

During the Track Record Period, no remuneration was paid by the Group or received by any Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

During the Track Record Period, none of our non-executive Directors and external Supervisors received any remuneration and none of the other Directors or Supervisors of the Company waived any remuneration. Save as disclosed above, during the Track Record Period, there were no other payments paid or payable to our Directors, Supervisors or five highest paid individuals by the Company or any of its subsidiaries.

COMPLIANCE ADVISOR

We have appointed Central China International Capital Limited (the "**Compliance Advisor**") as the Compliance Advisor of the Company pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the date of the Listing of our H Shares on the Stock Exchange and ending on the date on which the Company distributes the annual report in respect of the financial results for the first full financial year commencing after the date of the Listing, or the date on which the agreement between the Compliance Advisor and us is terminated, whichever is earlier.

The Compliance Advisor shall provide the Company with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and acting as one of the principal channels of communication between the Company and the Stock Exchange when necessary.

The Company agrees to indemnify the Compliance Advisor for actions against and losses incurred by the Compliance Advisor arising out of, or in connection with, certain events, including the performance by the Compliance Advisor of its duties under the agreement between the Compliance Advisor and us.

The Compliance Advisor will act as the additional channel of communication between the Company and the Stock Exchange.

The Company will terminate the appointment of the Compliance Advisor if the Compliance Advisor's work does not meet our Company's expectation. However, if, after the termination of the appointment of the Compliance Advisor, the Company does not have a compliance advisor pursuant to Rule 19A.05(3)(a) of the Listing Rules, the Company shall not be entitled to exercise such right unless a new compliance advisor acceptable to the Stock Exchange has been appointed by the Company in accordance with the requirements of Rule 19A.05(3)(a) of the Listing Rules. The Compliance Advisor will have the right to terminate its term of office at any time by notice.

SHARE CAPITAL

This section presents certain information regarding the share capital of our Company following the completion of the Global Offering.

As of the Latest Practicable Date, the registered share capital of our Company was RMB1,300,000,000, divided into 1,300,000,000 Domestic Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised, the share capital of our Company immediately after the Global Offering will be as follows:

Description of Shares	Number of shares	Approximate percentage of registered share capital
Domestic Shares	1,300,000,000	75.0%
H Shares to be issued under the Global Offering	433,334,000	25.0%
Total Share Capital	1,733,334,000	100%

Assuming the Over-allotment Option is exercised in full, the share capital of the Company immediately after the Global Offering will be as follows:

Description of Shares	Number of shares	Approximate percentage of registered share capital
Domestic Shares	1,300,000,000	72.3%
H Shares to be issued under the Global Offering	498,334,000	27.7%
Total Share Capital	1,798,334,000	100%

CONVERSION OF OUR UNLISTED SHARES INTO H SHARES

Conversion of Unlisted Shares

Our Company has two classes of ordinary shares, H Shares and Domestic Shares. The Domestic Shares of the Company are unlisted Shares which are currently not listed or traded on any stock exchange. Upon completion of the Global Offering, all unlisted Shares are Domestic Shares held by the Shareholders Zhongru Investment and Qianbao Investment and, therefore, the scope of the unlisted Shares is the same as the scope of the Domestic Shares of the Company. The term "unlisted Shares" is used to describe whether certain Shares are listed on a stock exchange and is not unique to PRC laws.

According to stipulations made by the State Council's securities regulatory authority and the Articles of Association, our unlisted Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares, the requisite internal approval processes (but without the necessity of shareholders' approval by class) shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required if any of our unlisted Shares are to be converted in and traded as H Shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our unlisted Shares into H Shares as described in this section, our Company can apply for the listing of all or any portion of our unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any listing of additional shares after our Company's initial listing on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our Company's initial listing in Hong Kong.

No shareholder voting by class is required for the listing and trading of the converted shares on an overseas stock exchange. Any application for listing of the converted shares on the Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform the Shareholders and the public of any proposed conversion.

As confirmed by our PRC legal advisors, Jia Yuan Law Offices, the Articles of Association are not inconsistent with the relevant PRC laws and regulations on the conversion of domestic shares.

Mechanism and Procedures for Conversion

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant unlisted Shares will be withdrawn from the Domestic Shares register and our Company will re-register such Shares on the H Share register of the Company maintained in Hong Kong and instruct the H Share Registrar to issue H Share certificates. Registration on our H Share register will be conditioned on (i) our H Share Registrar lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Stock Exchange in compliance with the Listing Rules, the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. Until the converted shares are re-registered on our H Share register, such Shares would not be listed as H Shares.

So far as our Directors are aware, none of the promoters of the Company currently proposes to convert any of the unlisted Shares held by it into H Shares.

RANKING

The Domestic Shares and H Shares are both ordinary shares in the share capital of our Company. H Shares may only be subscribed for and traded in Hong Kong dollars. Domestic Shares, on the other hand, may only be subscribed for and traded in RMB. Apart from certain qualified domestic institutional investors in the PRC or through Shanghai-Hong Kong Stock Connect, H Shares generally cannot be subscribed for by or traded between legal or natural persons of the PRC. Domestic Shares, on the other hand, can only be subscribed for by and traded between legal or natural persons of the PRC, qualified foreign institutional investors and qualified foreign strategic investors. The Company shall pay all dividends in respect of H Shares in Hong Kong dollars and all dividends in respect of Domestic Shares in RMB. See "Appendix V – Summary of Principal PRC and Hong Kong Legal and Regulatory Provisions" and "Appendix VI – Summary of the Articles of Association" for details of the circumstances under which general meetings and class meetings of the Company are required.

Except as described in this prospectus and in relation to the dispatch of notices and financial reports to our Shareholders, dispute resolution, registration of Shares in different parts of our Company's register of Shareholders, the method of share transfer and the appointment of dividend receiving agents, which are all provided for in the Articles of Association and summarized in Appendix VI to this prospectus, the Domestic Shares and our H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. However, the transfer of Domestic Shares is subject to such restrictions as PRC law may impose from time to time. Save for the Global Offering, the Company does not propose to carry out any public or private issue or to place securities simultaneously with the Global Offering or within the next six months from the Listing Date. The Company has not approved any share issue plan other than the Global Offering.

TRANSFER OF SHARES ISSUED PRIOR TO LISTING DATE

The Company Law provides that in relation to the Hong Kong Public Offering of a company, the shares issued by a company prior to the Hong Kong Public Offering shall not be transferred for a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its shares that are not listed on an overseas stock exchange with the CSDCC within 15 business days upon listing and provide a written report to the CSRC regarding the centralized registration and deposit of its non-overseas listed shares as well as the current offering and listing of shares.

THE CORNERSTONE PLACING

We have entered into a cornerstone investment agreement with the following investor (the "**Cornerstone Investor**"), pursuant to which the Cornerstone Investor has agreed to (subject to certain conditions) subscribe for certain number of H Shares at the Offer Price (the "**Cornerstone Placing**") as described below.

Assuming the Offer Price of HK$4.46 (being the minimum price of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investor would be 79,719,000, representing approximately (i) 4.6% of the Shares in issue upon the completion of the Global Offering and 18.4% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 4.4% of the Shares in issue upon completion of the Global Offering and 16.0% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

Assuming the Offer Price of HK$4.91 (being the mid-point of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investor would be 72,412,500, representing approximately (i) 4.2% of the Shares in issue upon the completion of the Global Offering and 16.7% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 4.0% of the Shares in issue upon completion of the Global Offering and 14.5% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

Assuming the Offer Price of HK$5.36 (being the maximum price of the Offer Price range set out in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investor would be 66,333,000, representing approximately (i) 3.8% of the Shares in issue upon the completion of the Global Offering and 15.3% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised; or (ii) 3.7% of the Shares in issue upon completion of the Global Offering and 13.3% of the H Shares offered pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised.

To the best knowledge of the Company, the Cornerstone Investor is an independent third party, is not our connected person (as defined under the Listing Rules) or our existing shareholder, and is not a close associate of any of our existing shareholders. Details of the actual number of the Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around December 14, 2017.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investor will rank *pari passu* with the other fully paid H Shares in issue and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. The Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the cornerstone investment agreement. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any board representation in our Company, nor will it become a substantial shareholder (as defined under the Listing Rules) of our Company. The Cornerstone Investor has no preferential rights compared with other public Shareholders in the cornerstone investment agreement. The number of Offer Shares to be subscribed by the Cornerstone Investor will not be affected by the re-allocation of H Shares between the International Offering and the Hong Kong Public Offering.

CORNERSTONE INVESTOR

The information about our Cornerstone Investor set forth below has been provided by the Cornerstone Investor in connection with the Cornerstone Placing.

Zhongji Investment

Zhongji Investment Co., Ltd. (中冀投資股份有限公司, "**Zhongji Investment**") has agreed, through designated entities (including qualified domestic institutional investor), to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of RMB300,000,000 at the Offer Price. Assuming the Offer price of HK$4.91, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Zhongji Investment would subscribe for would be 72,412,500, representing approximately 4.2% of the Shares and approximately 16.7% of the H Shares, in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Zhongji Investment is a company incorporated in the PRC with a registered capital of RMB10 billion. Zhongji Investment is a large-scale investment group of fund operations with industrial investment, wealth management as both ends and the comprehensive financial service platform as support. Zhongji Investment is held as to 46% by its controlling shareholder Rongsheng Real Estate Development Co., Ltd. (榮盛房地產發展股份有限公司), which is principally engaged in real estate development and management.

Zhongji Investment has obtained external financing from China Merchants Bank Co., Ltd. (an affiliate of CMB International Capital Limited) to finance partial of its subscription of the Offer Shares. The financing arrangement has been made on normal commercial terms after arm's length negotiations. None of the Offer Shares to be subscribed for by Zhongji Investment will be charged to China Merchants Bank Co., Ltd. as security for the financing.

CONDITIONS PRECEDENT

The subscription obligation of Cornerstone Investor is subject to, among other things, the following conditions precedent:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into by, *inter alia*, the Company and the Joint Representatives and having become unconditional and all the conditions precedent to completion set forth therein having been satisfied (or waived) by no later than the time and date as specified in such agreements and not having been terminated;

(b) the Listing Committee having granted the approval for the listing of, and permission to deal in, the H Shares (including the Investor Shares as defined in the relevant cornerstone investment agreement) and such approval or permission having not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(c) the representations, warranties, undertakings and acknowledgements of the Cornerstone Investor in the relevant cornerstone investment agreement are (as of the date of the relevant cornerstone investment agreement) and will be (as of the closing of the Cornerstone Placing) accurate and true in all material respects and not misleading and there being no material breach of the relevant cornerstone investment agreement on the part of the Cornerstone Investor;

(d) no Laws (as defined in the relevant cornerstone investment agreement) shall have been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or under the relevant cornerstone investment agreement, and there being no orders or injunctions from a court of competent jurisdiction which in effect precludes or prohibits the consummation of such transactions.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, unless it has obtained prior written consent of each of the Company, the Joint Sponsors and the Joint Representatives, it will not, and will cause its affiliates not to, at any time during a period of six months from of the Listing Date (the "**Lock-up Period**"), (i) dispose of (as defined in the relevant cornerstone investment agreement) any of the Shares subscribed for by it under the relevant cornerstone investment agreement, or any shares or other securities of the Company derived therefrom, or any interest therein (the "**Relevant Shares**") or any interest in any company or entity holding (directly or indirectly) any of the Relevant Shares, (ii) agree or contract to, or publicly announce any intention to enter into a transaction with a third party for the disposal of the Relevant Shares or any interest in any company or entity holding (directly or indirectly) any Relevant Shares, or (iii) allow itself to undergo a change of control (as defined in the Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner.

In the event of a disposal of any Relevant Shares at any time after the Lock-up Period, the Cornerstone Investor will notify the Company and the Joint Representatives in writing prior to the proposed disposal and will ensure that such disposal will not create a disorderly or false market in the H Shares and will comply with all applicable Laws (as defined in the relevant cornerstone investment agreement).

Immediately following the completion of the Global Offering (and assuming the Over-allotment Option is not exercised), the share capital of our Company will comprise 1,300,000,000 Domestic Shares and 433,334,000 H Shares, representing approximately 75.0% and 25.0% of the total share capital of the Company, respectively.

To the best knowledge of the Directors, the following table sets out the shareholdings of the substantial shareholders of the Company (as defined under Part XV of the SFO) immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised):

Name of Shareholder	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering
Zhongru Investment	Domestic Shares	1,202,500,000	Beneficial owner	92.5%	69.4%
Qianbao Investment *(Note 1)*	Domestic Shares	1,300,000,000	Beneficial owner/Interest in controlled corporation	100%	75.0%
Mr. Li Baoyuan *(Note 2)*	Domestic Shares	1,300,000,000	Interest in controlled corporation	100%	75.0%
Zhongji Investment *(note 3)*	H Shares	72,412,500 (Based on the Offer Price of HK$4.91 (being the mid-point of the Offer Price range)	Beneficial owner	16.7%	4.2%

1. Qianbao Investment directly holds 7.5% of the equity interests in our Company and 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment have respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

2. Mr. Li Baoyuan, a non-executive Director of the Company, directly holds 90% of the equity interests in Qianbao Investment, which directly and indirectly holds 100% of the equity interests in Zhongru Investment and directly holds 7.5% of the equity interests in our Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 231,000,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly and indirectly held by Qianbao Investment for the purpose of Part XV of the SFO.

3. Zhongji Investment will hold the Shares through designated entities (including qualified domestic institutional investor).

The following table sets out the shareholdings of the substantial shareholders of the Company (as defined under Part XV of the SFO) immediately following the completion of the Global Offering (assuming Over-allotment Option is exercised in full):

Name of Shareholder	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering
Zhongru Investment	Domestic Shares	1,202,500,000	Beneficial owner	92.5%	66.9%
Qianbao Investment *(Note 1)*	Domestic Shares	1,300,000,000	Beneficial owner/Interest in controlled corporation	100%	72.3%
Mr. Li Baoyuan *(Note 2)*	Domestic Shares	1,300,000,000	Interest in controlled corporation	100%	72.3%
Zhongji Investment *(note 3)*	H Shares	72,412,500 (Based on the Offer Price of HK$4.91 (being the mid-point of the Offer Price range)	Beneficial owner	14.5%	4.0%

1. Qianbao Investment directly holds 7.5% of the equity interests in our Company and 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment have respectively undertaken that they have followed since the establishment of Zhongru Investment or when they became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

2. Mr. Li Baoyuan, a non-executive Director of the Company, directly holds 90% of the equity interests in Qianbao Investment, which directly and indirectly holds 100% of the equity interests in Zhongru Investment and directly holds 7.5% of the equity interests in our Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 231,000,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly and indirectly held by Qianbao Investment for the purpose of Part XV of the SFO.

3. Zhongji Investment will hold the Shares through designated entities (including qualified domestic institutional investor).

Save as disclosed herein, the Directors are not aware of any other person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying Shares of the Company, which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO. Save as disclosed in this prospectus, to the best knowledge of the Company, it is not aware of any other relationship among the substantial shareholders of the Company as of the Latest Practicable Date. Our Company is not aware of any arrangement which may result in any change of control in our Company at any subsequent date.

OVERVIEW

As of the Latest Practicable Date, our Company was held by Zhongru Investment and Qianbao Investment as to 92.5% and 7.5% of its share capital, respectively. Zhongru Investment was held by Qianbao Investment as to 43.63% of its equity interests, with the remaining 56.37% of its equity interests being held by 119 individuals who are employees of our Company and our predecessor and have respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings and all other rights of shareholders of Zhongru Investment. Qianbao Investment was held as to 90% by Mr. Li Baoyuan, the honorary Chairman and a non-executive Director of the Company, and 10% by Mr. Li Baozhong, the Chairman and an executive Director of the Company, respectively, since its establishment. For details regarding Zhongru Investment and Qianbao Investment, please see "History, Reorganization and Corporate Structure".

Immediately following the completion of the Global Offering, Zhongru Investment and Qianbao Investment will be directly owned as to 69.4% and 5.6% of the issued capital of the Company, respectively, before the exercise of the Over-allotment Option, and directly owned as to 66.9% and 5.4% of the issued capital of the Company, respectively, if the Over-allotment Option is exercised in full. Qianbao Investment will continue to control Zhongru Investment as set out above.

Given that immediately after the completion of the Global Offering, Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment will continue to directly or indirectly control more than 30% of voting rights at the general meetings of the Company, Mr. Li Baoyuan, Qianbao Investment and Zhongru Investment will continue to be our Controlling Shareholders upon the Listing. For more details, see "History, Reorganization and Corporate Structure".

DELINEATION OF BUSINESS AND COMPETITION

Our Business

We are a leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. For further details of our business, see "Business".

Controlling Shareholders' Business

Mr. Li Baoyuan, apart from for his interests in our Group, has also been engaged in the following businesses through Zhongru Investment and Qianbao Investment and their close associates: (i) processing, wholesale, retail of agricultural products, research and development and promotion of agricultural technology and development of ecotourism; (ii) subcontracting of labor services; (iii) design, construction, installation and maintenance of heat supply and heat engineering; (iv) provision of ancillary services for construction, such as engineering surveying, cadastral surveying and mapping, and inspection of construction quality; (v) construction of landscape projects; (vi) development of environmental protection technology and construction, management and maintenance of green industrial parks; and (vii) project investment, investment management and consultation, corporate management consultation and marketing planning.

As illustrated above, none of the Controlling Shareholders or its close associates is engaged in businesses which are similar to the core businesses of our Group. Therefore, the Directors are of the view that there is a clear delineation between the businesses operated by our Controlling Shareholders and our Group. Each of the Controlling Shareholders has confirmed that none of them has any interest in a business which competes with, or is likely to compete with, our Group, whether directly or indirectly, which would otherwise require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders has signed a non-competition undertaking on November 23, 2017 in favor of our Group (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, the Controlling Shareholders have irrevocably undertaken that they would not and will procure that its associates (except any members of our Group) would not, directly or indirectly, whether as principal or agent, either on their own account or in conjunction with or on behalf of any person, firm or company, whether inside or outside the PRC, among other things, carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is or may be in competition with the business of any member of our Group from time to time (the "**Restricted Business**").

The above undertaking does not apply where:

(i) the Controlling Shareholders and/or their associates hold any interests in the shares of any member of our Group or conduct business on behalf of any member of our Group;

(ii) the Controlling Shareholders and/or their associates hold, directly or indirectly, any equity interests in any companies listed on an accepted stock exchange other than our Group, and such companies are not engaged in the Restricted Business;

(iii) the Controlling Shareholders and/or their associates hold any equity interests in any company other than our Group, except that:

   (a) according to the latest audited accounts of the company, the Restricted Business in which the company is engaged (and its related assets) accounts for less than 10% of the consolidated sales or consolidated assets of the company; and

   (b) the total number of shares held by the Controlling Shareholders and/or their associates account for no more than 5% of the shares of the same class issued by the relevant company, and the Controlling Shareholders and/or their associates have no right to appoint most of the Directors of the company;

(iv) any opportunity to invest, participate, be engaged in and/or operate any Restricted Business has first been offered or made available by the Controlling Shareholders and/or their respective related parties to us, and after decision by the Company, has been declined in writing or failed to respond within thirty (30) working days (the notification period could be extended to sixty (60) working days if requested by us) after being notified of such opportunity to invest, participate, be engaged in or operate the Restricted Business.

Pursuant to the Non-competition Undertaking, the above restrictions would only cease to have effect upon the earlier of: (i) the H Shares of our Company cease to be listed on the Stock Exchange; (ii) our Group no longer holds, directly or indirectly, the shares of any listed member of the group which is engaged in the Restricted Business; and (iii) such Controlling Shareholder ceases to be a Controlling Shareholder.

Option for New Business Opportunities

Our Controlling Shareholders have undertaken in the Non-competition Undertaking that if our Controlling Shareholders and their associates (excluding the Group's member companies) become aware of, have received notice about, are recommended or provided with new business opportunities which will or may directly or indirectly compete with the Restricted Business, including but not limited to the opportunities which are the same as or similar to the Restricted Business (the "**New Business Opportunities**"), our Controlling Shareholders shall refer or recommend, and shall procure their associates (excluding the Group's member companies) to refer or recommend, the New Business Opportunities to our Group subject to relevant laws, requirements or contractual arrangements with third parties in accordance with the following:

(i) Our Controlling Shareholders shall provide our Group with a written notification which includes all reasonable and necessary information known to our Controlling Shareholders and/or their associates (excluding the Group's member companies) (including but not limited to the nature of the New Business Opportunities and necessary information relating to the cost of the relevant investment or acquisition) for our Group to consider (a) whether the New Business Opportunities constitute competition or potential competition to the Restricted Business; and (b) whether engaging in such New Business Opportunities would be in the best interests of our Group (the "**Offer Notice**"); and

(ii) The Group shall respond to our Controlling Shareholders and/or their associates (excluding the Group's member companies) within thirty (30) working days upon receipt of the Offer Notice (the notification period could be extended to sixty (60) working days if requested by us). If our Group fails to reply to our Controlling Shareholders and/or their associates (excluding the Group's member companies) within the above period, it shall be deemed to have abandoned the New Business Opportunities. If our Group determines to take up the New Business Opportunities, our Controlling Shareholders and/or their associates (excluding the Group's member companies) would be obligated to offer such New Business Opportunities to our Group.

Pre-emptive Right

Our Controlling Shareholders have undertaken that if our Controlling Shareholders and/or their associates (excluding the Group's member companies) intend to transfer, sell, lease or license concession to a third party any businesses engaged in by our Controlling Shareholders and/or their associates which competes or may competes with the Restricted Business or any other businesses which would cause direct or indirect competition with the Restricted Business, it shall offer our Group such opportunity with a pre-emptive right on equal terms subject to the relevant laws, regulations and contractual arrangements with third parties in accordance with the following:

(i) Our Controlling Shareholders and/or their associates (excluding the Group's member companies) shall provide the Company with written notice no later than the time of any such disposal (the "**Disposal Notice**"). For the avoidance of doubt, our Controlling Shareholders and/or their associates (excluding the Group's member companies) are entitled to provide information and/or a Disposal Notice relating to such disposal to any third parties at the same time as or after providing the Disposal Notice to the Company;

(ii) The Company shall reply to our Controlling Shareholders and/or their associates (excluding the Group's member companies) in writing by whichever is the later of the thirtieth (30th) working day after receipt of the Disposal Notice (the notification period could be extended to sixty (60) working days if requested by us) or the expiration of the period offered to third parties for them to reply in writing, before exercising the pre-emptive right;

(iii) If the Company intends to take up such pre-emptive right, the terms shall be determined with reference to fair market price; and

(iv) Our Controlling Shareholders and/or their associates (excluding the Group's member companies) shall not dispose of such businesses and interests to any third parties unless (a) the Company declines to purchase such businesses and interests in writing; (b) the notice of exercising such pre-emptive right has not been received by our Controlling Shareholders and/or their associates (excluding the Group's member companies) from the Company by whichever is the later of the thirtieth (30th) working day after receipt of the Disposal Notice (the notification period could be extended to sixty (60) working days if requested by us) and the expiration of the period offered to third parties for them to reply; or (c) the Company fails to offer our Controlling Shareholders and/or their associates (excluding the Group's member companies) the same or more favorable terms of acquisition than those offered by any third parties to our Controlling Shareholders and/or their associates.

For the avoidance of doubt, the terms of disposal offered by our Controlling Shareholders and/or their associates (excluding the Group's member companies) to any third parties shall not be more favorable than those to be offered to the Company.

Option for Purchase

To the extent that no relevant laws and regulations are breached and agreements with third parties are complied with, the Company is entitled to acquire any businesses operated by our Controlling Shareholders and/or their associates (excluding the Group's member companies) which compete or may compete with the Restricted Business or have the option to acquire any businesses or any interests engaged in by our Controlling Shareholders and/or their associates (excluding the Group's member companies) through the abovementioned New Business Opportunities (the "**Option for Purchase**"). The Company is entitled to exercise the Option for Purchase, whether singly or separately, at any time, and our Controlling Shareholders and/or their associates (excluding the Group's member companies) shall offer the Option for Purchase to the Company on the condition that the commercial terms of a proposed acquisition shall be arrived at solely by a committee consisting of our independent non-executive Directors after consulting the views of independent experts. Furthermore, such commercial terms shall be based on negotiation between the parties involved in line with the normal commercial practice of the Company, and shall be fair, reasonable and in the interests of the Company as a whole through the negotiation with our Controlling Shareholders and their associates (other than the Group's member companies).

However, if a third party has the pre-emptive right in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and/or shareholders' agreements), the Company's Option for Purchase shall be subject to such third-party rights. In such case, our Controlling Shareholders and/or their associates (excluding the Group's member companies) will use their best efforts to persuade the third party to waive its pre-emptive rights.

Controlling Shareholders' Further Undertakings

Our Controlling Shareholders have further undertaken that, subject to relevant laws, regulations or contractual arrangements with third parties:

(i) at the request of the Group, it shall provide, and shall procure that their associates (excluding the Group's member companies) will provide, any necessary information for the implementation of the Non-competition Undertaking;

(ii) they shall allow the authorized representatives or auditors of the Group to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgment of the Group in respect of whether our Controlling Shareholders and/or their associates have complied with the Non-competition Undertaking; and

(iii) they shall ensure that, within ten (10) working days of receipt of the written request from the Group, necessary confirmation shall be made in writing to the Group as to the performance of the Non-competition Undertaking by our Controlling Shareholders and their associates (other than the Group's member companies), and the consent of our Controlling Shareholders and their associates to allow such confirmation to be included in the our annual reports.

Corporate Governance Measures

To further protect the interests of the minority Shareholders, our Company will adopt the following corporate governance measures to manage any potential conflicts of interest:

(i) Our Company's independent non-executive Directors will review, on an annual basis, the compliance with the Non-competition Undertaking by the Controlling Shareholders;

(ii) Each of the Controlling Shareholders undertakes to 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 Non-competition Undertaking. Unless invited by a majority of the independent non-executive Directors, executive Directors and senior management shall exclude themselves from any meeting convened to consider any issues arising under the Non-competition Undertaking. Our independent non-executive Directors may engage professional advisors at our Company's cost for advice on matters relating to the Non-competition Undertaking;

(iii) Our Company will disclose in the "corporate governance report" section of our subsequent annual reports how the Non-competition Undertaking have been complied with;

(iv) Our Company will disclose in our Company's subsequent annual reports the decisions on matters reviewed by the independent non-executive Directors relating to compliance with the Non-competition Undertaking by the Controlling Shareholders; and

(v) Our Company will disclose in our Company's subsequent annual reports the annual statement on compliance with the Non-competition Undertaking made by the Controlling Shareholders.

Further, any transaction that is proposed between our Group and the Controlling Shareholders and/or their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders' approval requirements.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, the Directors believe that we can conduct our business independently from our Controlling Shareholders and their close associates after the completion of the Global Offering.

Management Independence

Directors

The Board of our Company consists of ten Directors, including four executive Directors, two non-executive Directors and four independent non-executive Directors, of which five Directors also hold and will continue to hold positions in the Controlling Shareholders and/or their close associates after the Listing. The following table sets forth the positions held by our Directors in the Controlling Shareholder and/or their close associates as of the Latest Practicable Date:

Name	Position within our Company	Positions within the Controlling Shareholders and/or their Close Associates
Mr. Li Baoyuan (李寶元)	Honorary Chairman of the Board and non-executive Director	Chairman of the board of directors and executive director of Zhongru Investment; Executive director and general manager of Qianbao Investment; and Honorary chairman of the board of directors and non-executive director of Zhongming Zhiye
Mr. Li Baozhong (李寶忠)	Chairman of the Board and executive Director	Vice chairman of the board of directors and non-executive director of Zhongru Investment; Supervisor of Qianbao Investment; Chairman of the board of directors and non-executive director of Zhongming Zhiye and a subsidiary of Zhongming Zhiye; and Supervisor of a subsidiary of Zhongming Zhiye
Mr. Cao Qingshe (曹清社)	Vice Chairman of the Board and non-executive Director	General manager of Zhongru Investment; Executive director and general manager of Zhongming Zhiye; and Chairman of board of directors of two subsidiaries and non-executive director of four other subsidiaries of Zhongming Zhiye

Name	Position within our Company	Positions within the Controlling Shareholders and/or their Close Associates
Mr. Shang Jinfeng (商金峰)	Executive Director and President	None
Ms. Liu Shuzhen (劉淑珍)	Executive Director, Vice President and Chief Economic Officer	None
Mr. Liu Yongjian (劉永建)	Executive Director and Vice President	None
Mr. Xiao Xuwen (肖緒文)	Independent Non-executive Director	None
Ms. Shen Lifeng (申麗鳳)	Independent Non-executive Director	None
Ms. Chen Xin (陳欣)	Independent Non-executive Director	None
Mr. Chan Ngai Sang (陳毅生)	Independent Non-executive Director	None

The two non-executive Directors of our Company, Mr. Li Baoyuan and Mr. Cao Qingshe are not involved in the daily business operations and management of our Company. Mr. Li Baoyuan and Mr. Cao Qingshe are primarily responsible for making decisions on matters such as formulation of our general development strategy and corporate operation strategy as members of the Board. The daily business operations and management of the Company are managed by the executive Directors and senior management team who have substantial experience to ensure the proper functioning of the daily operation and management of our Company.

Of the four executive Directors of our Company, Mr. Li Baozhong also held positions as non-executive director and/or supervisor in our Controlling Shareholders and/or their close associates. Mr. Li Baozhong has not participated and will not participate in the daily business operations and management of our Controlling Shareholders and/or their close associates (as the case may be). Mr. Li Baozhong is primarily responsible for making decisions on matters regarding development and corporate operation strategy as member of the board of directors and/or monitoring the operation and financial activities as member of the board of supervisors of such companies. Therefore, none of them expect that his positions with our Controlling Shareholders and/or their close associates (as the case may be) will take up a substantial amount of his time. Mr. Li Baozhong will be able to devote sufficient time to the management of our Company.

As of the Latest Practicable Date, three executive Directors of our Company, Mr. Shang Jinfeng, Ms. Liu Shuzhen and Mr. Liu Yongjian held limited number of shares in Zhongru Investment, one of our Controlling Shareholders, ranging from 0.43% to 0.86% of the total registered capital of Zhongru Investment. However, the Directors believe that Mr. Shang Jinfeng, Ms. Liu Shuzhen and Mr. Liu Yongjian will be able to act as our Directors objectively and in the interest of the Company in matters concerning Zhongru Investment and its associates, despite their own economic interests in Zhongru Investment and its associates for the following reasons:

- ***Minor shareholding in Zhongru Investment***: Mr. Shang Jinfeng, Ms. Liu Shuzhen and Mr. Liu Yongjian were among the 119 employees of the Company who contributed by cash in Zhongru Investment back in 2010 and 2014, respectively. Introducing of employees into Zhongru Investment as its minority shareholders was for the purpose to recognize the employees' continuously contributions to the Group's business operation and development and as an employee incentive mechanism. Pursuant to written confirmations signed by each of the 119 minority shareholders of Zhongru Investment, they confirmed that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment (as the controlling shareholder of Zhongru Investment) in exercising their voting powers at shareholders' general meetings and all other rights of shareholders of Zhongru Investment. In light of the historical background, their minor shareholdings and their confirmation to follow Qianbao Investment in exercising shareholders' rights in Zhongru Investment, none of Mr. Shang Jinfeng, Ms. Liu Shuzhen or Mr. Liu Yongjian could solely or collectively impose any direct or indirect control or influence over, or otherwise materially affect, the decision-makings of the board of directors of Zhongru Investment;

- ***Corporate governance measures and system:*** As of the Latest Practicable Date, Mr. Shang Jinfeng, Ms. Liu Shuzhen and Mr. Liu Yongjian did not hold and will not hold any other positions in, or are otherwise involved in the daily management and operation of, Zhongru Investment and/or its associates in any manner. Zhongru Investment was incorporated as a holding company and does not engage in any business operations of its subsidiaries (including our Company). In addition, to avoid any potential conflict of interests arising from these three Directors' economic interests in Zhongru Investment, Zhongru Investment has undertaken to establish an information Chinese wall system to ensure that each of the directors, supervisors, management team and employees of Zhongru Investment and its associates will not exchange with Mr. Shang Jinfeng, Ms. Liu Shuzhen or Mr. Liu Yongjian any information relating to the business opportunities or decisions when any member of our Group is, or potentially will be, concerned or involved in any manner. Moreover, each of the Directors is aware that, according to the Company Law of the PRC and the Articles of Association, a director of a company incorporated in the PRC shall act for the benefit and in the best interests of the company and its shareholders in respect of the affairs of that company and shall not take any action solely for the purpose of guaranteeing his/her personal interest;

- ***Duties of our independent non-executive Directors***: each of the Company's four independent non-executive Directors possesses extensive experience, necessary knowledge and understanding on the Group's business and industry. Furthermore, to assist the independent non-executive Directors to better discharge their duties, our Company plans to form a consultancy committee consisting of no less than three competent external experts in the construction industry to provide assistance and advice to the independent non-executive Directors when the independent non-executive Directors are required to make decisions involving Zhongru Investment or its associates at the Board meetings. The Company and/or the consultancy committee will also provide regular trainings to the independent non-executive Directors so as to enable the independent non-executive Directors to better understand the Group's business operations and the industry development. Therefore, the Company believes that the four independent non-executive Directors will duly fulfill their fiduciary duty to make sure that any potential connected transactions with Zhongru Investment and/or its associates will be entered into based on normal commercial terms or better, and will be fair and reasonable in the interests of the Company and its Shareholders as a whole. For further details about the Company's internal control measures for connected transactions, see "Connected Transactions". Moreover, each of Mr. Shang Jinfeng, Ms. Liu Shuzhen and Mr. Liu Yongjian has also undertaken to the Company that, whenever the Board is considering a business opportunity involving Zhongru Investment and/or its associates, he/she will consult with the independent non-executive Directors first.

Supervisors

The following table sets forth the positions held by our Supervisors in the Controlling Shareholder and/or their close associates as of the Latest Practicable Date:

Name	Position within our Company	Positions within the Controlling Shareholders and/or their Close Associates
Mr. Mao Yuanli (毛元利)	Chairman of the Board of Supervisors and shareholder Supervisor	Supervisor of Zhongru Investment; Supervisor of Zhongming Zhiye; and Chairman of board of directors and non-executive director of one subsidiary and non-executive director of three other subsidiaries of Zhongming Zhiye
Mr. Liu Jingqiao (劉景喬)	Employee Supervisor	Chairman of board of directors and non-executive director of two subsidiaries and executive director of one subsidiary of Zhongming Zhiye
Ms. Feng Xiujian (馮秀健)	Shareholder Supervisor	None
Mr. Yue Jianming (岳建明)	Employee Supervisor	Supervisor of a subsidiary of Zhongming Zhiye
Mr. Wang Feng (王豐)	Shareholder Supervisor	Supervisor of a subsidiary of Zhongming Zhiye

Our Supervisors are not involved in the daily business operations and management of our Company. They are primarily responsible for monitoring the operation and financial activities as well as the performance of Directors and senior management as members of the Board of Supervisors. The daily business operations and management of the Company are managed by the executive Directors and senior management team, who have substantial experience to ensure the proper functioning of the daily operations and management of our Company.

Senior Management

The following table sets forth the positions held by members of the senior management of our Company in the Controlling Shareholder and/or their close associates as of the Latest Practicable Date:

Name	Position within our Company	Positions within the Controlling Shareholders and/or their Close Associates
Mr. Shang Jinfeng (商金峰)	Executive Director and President	None
Ms. Liu Shuzhen (劉淑珍)	Executive Director, Vice President and Chief Economic Officer	None
Mr. Liu Yongjian (劉永建)	Executive Director and Vice President	None
Mr. Gao Qiuli (高秋利)	Vice President and Chief Engineer	Non-executive director of a subsidiary of Zhongming Zhiye
Mr. Zhao Wensheng (趙文生)	Chief Accountant and Director of Finance	Supervisor of two subsidiaries of Zhongming Zhiye
Mr. Li Wutie (李武鐵)	Board Secretary and Assistant to President	None

Of the six members of senior management, two (Mr. Gao Qiuli and Mr. Zhao Wensheng) also held positions as non-executive director or supervisor in our Controlling Shareholders and/or their close associates. Neither of them has participated or will participate in the daily business operations and management of our Controlling Shareholders and/or their close associates (as the case may be). They are primarily responsible for making decisions on matters regarding development and corporate operation strategy as members of the board of directors and/or monitoring the operation and financial activities as members of the board of supervisors of such companies. Therefore, neither of them expects that their respective positions with our Controlling Shareholders and/or their close associates (as the case may be) will take up a substantial amount of their respective time. They will be able to devote sufficient time to the management of our Company.

Save as disclosed above, none of the Directors, Supervisors or members of senior management of our Company holds any position in the Controlling Shareholders and/or their close associates.

As set out above, despite the interest of the Controlling Shareholders in certain business outside our Group, the Directors believe that our Company is capable of managing its business independently of the Controlling Shareholders after the Listing for the following reasons:

- The management personnel of the Company have clear reporting lines, and ultimately the management team reports to the executive Directors, who are responsible for reporting to the Board. The Board supervises and monitors the performance of our Company's management team generally through the regular reports made by our executive Directors to the Board, regular meetings of the Board and ad hoc meetings of the Board to consider, deliberate and approve material matters which exceed the delegated authorities of management team, as well as the regular updates of operational and financial data and information that are provided to our Company's Directors;

- Each of the Directors of our Company is aware of his or her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and its Shareholders;

- According to the Articles of Association, in case of any conflict of interest or potential conflict of interest issues relating to transactions entered into by our Company with any corporation or entity in which our Company's Directors or their close associates hold concurrent positions or any contract or arrangement or any other matters where they or any of their close associates has a material interest, the interested Directors shall abstain from voting on the resolutions to approve such matters, and shall not be counted into the quorum present at the meeting or participate in the discussion, therefore the overlapping roles of the Directors will not affect the independence of their roles or the independence of the Board. The Company further undertakes that any overlapping Directors shall, given the perception of conflict of interest and for the purpose of good corporate governance, abstain from voting on the relevant resolutions involving any transaction between our Controlling Shareholders and/or their close associates, and our Group;

- The Board of our Company comprises ten Directors, and four of them are independent non-executive Directors who represent not less than one-third of the members of the Board. This provides a balance between the number of interested Directors and independent non-executive Directors, with a view to promoting the interests of the Company and its Shareholders as a whole. This is also in line with the requirement as set out in the Listing Rules;

- Our Supervisors are primarily responsible for monitoring the operation and financial activities as well as the performance of Directors and senior management as members of the Board of Supervisors. Our senior management only holds positions as non-executive directors and/or supervisors in our Controlling Shareholders and/or their close associates. Therefore, their positions held in our Controlling Shareholders and/or their close associates will not affect their ability to devote sufficient time to the management of our Company.

Operational Independence

Currently, our Company is in possession of all production and operating facilities and technology relating to our Group's business. Our Company makes and implements operational decisions independently of the Controlling Shareholders. Our Company has its own organizational structure with independent departments, each with specific areas of responsibility. Our Company also maintains a set of comprehensive internal control measures to facilitate the effective operation of our business. Our Company has independent access to customers and is not dependent on the Controlling Shareholders and their close associates with respect to suppliers for our business operations. Our Company has its own employees to operate the business and can independently manage its human resources. We have obtained relevant licenses, approvals and permits from relevant regulatory authorities which are material to our operations in the PRC.

We entered into several continuing connected transactions with our Controlling Shareholders, pursuant to which, the Controlling Shareholders and/or their associates will provide us certain services. For more details, see "Connected Transactions". Considering that our Company may also source such services from a number of other Independent Third Parties and that such services have a sufficiently competitive market, the Directors of our Company believe that, even if such agreements are terminated, the Company will be able to easily identify other suitable partners through fair negotiation at similar terms and conditions in line with the market terms to meet our business and the operational needs without causing any undue delay.

Based on the above, our Directors believe that we are able to operate our business independently from our Controlling Shareholders and/or their close associates.

Financial Independence

Our Company has established its own finance department with a team of independent financial staff responsible for discharging treasury, accounting, reporting, group credit and internal control functions independent from the Controlling Shareholders, as well as a sound and independent financial system, and makes independent financial decisions according to our own business needs. Our Company maintains bank accounts independently and does not share any bank account with the Controlling Shareholders. Our Company makes tax registration and pays tax independently with its own funds. As such, Our Company's financial functions, such as cash and accounting management, invoices and bills, operate independently of the Controlling Shareholders and their close associates.

All amounts of a non-trade nature due the Controlling Shareholders by us have been settled, and all guarantees provided to us by the Controlling Shareholders and/or its close associates have been released as of the Latest Practicable Date.

We have sufficient capital, cash and cash equivalent and bank facilities and credit to operate our business independently, and have sufficient internal resources to support our day-to-day operations. As of June 30, 2017, our cash and cash equivalents amounted to RMB3,429.9 million. As of October 31, 2017, we had strategic cooperation agreements with a number of PRC commercial banks totalling over RMB50.0 billion of credit line and we also had approximately RMB1.8 billion of unutilized banking facilities. We have access to independent third party financial institutions and are not required to rely on any guarantee or mortgage from our Controlling Shareholders or its close associates to obtain the relevant financing. For details, see "Financial Information".

As such, our Directors believe that we are independent from the Controlling Shareholders from a financial perspective.

The following discussion and our analysis should be read in conjunction with our consolidated financial information included in "Appendix I – Accountant's Report," together with the accompanying notes. This consolidated financial information includes the financial information of our discontinued operations, which our Directors resolved to dispose of in December 2016 and we entered into a series of agreements for the disposals in January 2017. Our consolidated financial statements have been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this prospectus.

OVERVIEW

We are a leading non-state owned construction group in China, providing integrated solutions primarily for the construction contracting of buildings and infrastructure projects. We are principally engaged in the following businesses:

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

- **Other businesses.** We also engage in property development, property management and other businesses.

Our revenue increased from RMB24,859.1 million in 2014 to RMB38,609.4 million in 2016, representing a CAGR of 24.6% from 2014 to 2016, and our total revenue increased by 7.7% from RMB18,589.8 million in the six months ended June 30, 2016 to RMB20,027.6 million in the six months ended June 30, 2017. Our profit for the year increased from RMB351.3 million in 2014 to RMB813.6 million in 2016, representing a CAGR of 52.2% from 2014 to 2016, and our profit increased by 66.6% from RMB299.9 million for the six months ended June 30, 2016 to RMB499.6 million in the six months ended June 30, 2017.

BASIS OF PRESENTATION

Our financial information includes the financial statements of our Company and its subsidiaries during the Track Record Period. The financial statements of the subsidiaries are prepared for the same reporting periods as our Company, with consistent accounting policies. The results of subsidiaries are consolidated from the date on which our Group obtained control, and continue to be consolidated until the date on which such control ceases.

Our financial information has been prepared in accordance with IFRSs. Our financial information has been prepared under the historical cost convention, except for investment properties which have been measured at fair value and financial guarantee contracts which have been recognized initially at fair value, and is presented in Renminbi.

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 in China and government policies related to the PRC construction industry

The PRC construction industry is 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 construction activities in China, particularly in the Beijing-Tianjin-Hebei Region, where a substantial number of our construction projects were located during the Track Record Period. Changes in national or local policies related to the PRC construction industry may affect the level of activities in this industry, as well as the supply of land for property development, project financing, taxation, local government budgets and regulation of private sector participation in the infrastructure industry.

Timing of collection on our construction projects and retention amounts

During the Track Record Period, a substantial majority of our revenue was derived from our construction contracting business. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our revenue generated from the construction contracting business was RMB25,097.5 million, RMB27,242.3 million, RMB39,176.1 million, RMB19,114.7 million and RMB19,256.9 million, respectively, representing 99.4%, 98.0%, 97.7%, 98.6% and 95.2% of our total revenue before intersegment elimination and elimination between continuing and discontinued operations, 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% to 20% is withheld by our customers until their acceptance of the construction project. As our construction projects usually take one 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 no more than 5% of the settlement amount calculated upon completion and acceptance of the construction projects payable to us. The retention fee will generally be returned to us in instalments during the defects liability period or in full at the end of such period. The length of the defects liability period typically ranges from half a year to two years, depending on the type of construction contracting service we provide.

Cost fluctuations in construction projects

The major components of our construction project costs are raw material costs and labor costs. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, labor costs accounted for 21.0%, 20.7%, 22.2%, 21.1% and 21.3% of our adjusted cost of sales, respectively, and raw material costs accounted for 57.2%, 56.4%, 52.9%, 55.8% and 54.1% of our adjusted cost of sales, respectively. For descriptions of our adjusted cost of sales, see "– Discontinued Operations and Non-IFRS Measures" and "– Description of Selected Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Cost of Sales, Gross Profit and Gross Margin."

According to Frost & Sullivan, labor costs rose steadily in China during the Track Record Period. In recent years, there has been 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.

Business lines and project mix

The business lines of our construction contracting business have different profit margins and growth prospects and, as a result, any material changes in our project mix, whether due to changes in our growth strategies, infrastructure investment scale, market conditions, customer demand or otherwise, may affect our financial condition and results of operations. Historically, the profit margin of our infrastructure and specialized construction business has generally been higher than that of our building construction business. In addition, the profit margin of our PPP projects is generally higher than that of our construction contracting projects. In the future, we plan to continue optimizing our project mix and increase our overall profit margin by undertaking projects with higher profitability and increasing our participation in PPP projects.

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, and our revenue from the first quarter is typically lower than that from other quarters. This seasonality is largely due to decreased construction activities in the northern regions of the PRC in the 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 3.2 and 4 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 is recognized when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "construction contracts" below;

(c) from the rendering of services, on the percentage of completion basis;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, 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; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labor and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognized using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by our management. Where contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is treated as an amount due to contract customers.

We review and revise the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by our management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of our management. In order to keep the budget accurate and up-to-date, our management conducts periodic reviews of the management budgets by comparing the budgeted amounts to the actual amounts incurred.

Estimation of total budgeted costs and cost to completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contracts for services comprise (i) direct material costs and direct labor, (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 contracts for service, our management makes reference to information such as (i) current offers from subcontractors and suppliers, (ii) recent offers agreed with subcontractors and suppliers, and (iii) professional estimation of material costs, labor costs and other costs.

Impairment of trade receivables

We maintain an allowance for estimated loss arising from the inability of its customers to make the required payments. We make estimates based on the aging of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of our customers deteriorates such that the actual impairment loss might be higher than expected, we would be required to revise the basis for making the allowance and future results would be affected.

For an asset that is individually significant, the asset is individually assessed for impairment, and the amount of impairment is recognized in profit or loss if there is objective evidence of impairment. For an asset that is not individually significant, it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment. If no objective evidence of impairment incurs for an individually assessed item (whether the asset is individually significant or not), it is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment. Assets for which an impairment loss is individually recognized are not included in a group of assets with similar credit risk characteristics and collectively assessed for impairment.

Accounting treatment of PPP projects

A PPP project is accounted for as a service concession arrangement when the local government, which is the grantor of the service concession arrangements for our projects, controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement.

All of our PPP projects as of June 30, 2017, although involving cooperation with the government to construct and maintain infrastructure projects through a project company, are not accounted for as service concession arrangements under IFRIC Interpretation 12 Service Concession Arrangements ("**IFRIC 12**") because excluding the construction services, other services provided under the contracts are ancillary operation services such as maintenance services, which are not of the public operation service nature that should be undertaken by the public sector and in the scope of IFRIC 12. Public operation services usually involve a high level of public involvement and give the public access to major economic and social facilities.

For the PPP project not accounted for as service concession agreements, the costs of each activity, construction and operation, are recognized as expenses by reference to the stage of completion of that activity. Contract revenue and the fair value of the amount due from the grantor for the activity undertaken are recognized at the same time. The borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred and there is no recognition of financial assets.

We recognize revenue during both the construction phase and the operational phase. Since we have undertaken or will undertake the underlying construction work for all PPP projects that we have participated in, we are entitled to the payment for the construction work which constitutes substantially all of our revenue for these PPP projects. The payments for the construction work are usually made by the project company according to monthly progress or on milestones during the construction phase or shortly thereafter. The government payments to the project company for the ancillary operation services of our PPP projects are made during the operation period.

IFRS 15 (issued but not yet effective)

Our directors consider that the requirements to recognize revenue over the time under IFRS 15 is similar to the current revenue recognition policy on construction contracts of the Group. For a discussion of the potential impact of the initial adoption of IFRS 15, see note 3.1 to the Accountants' Report included in Appendix I of this prospectus.

For revenue recognition under IFRS 15, we have assessed whether any costs occurred contributed or was proportionate to the entity's progress in satisfying the performance obligation. If we did not meet with those circumstances, we would not recognize revenue on the basis of costs incurred.

Other than normal construction materials such as steel and concrete, our construction contracts did not have any material or machinery (as discussed in Example 19 of IFRS 15) of which costs incurred did not depict the entity's progress in satisfying the performance obligation and therefore required an adjustment to the measure of progress.

SELECTED FINANCIAL DATA

The following table sets forth certain items in our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB in millions)				
				(Unaudited)	
Continuing Operations					
Revenue	24,859.1	27,215.7	38,609.4	18,589.8	20,027.6
Cost of sales	(24,115.4)	(26,199.6)	(36,726.6)	(17,906.6)	(18,961.0)
Gross profit	743.7	1,016.1	1,882.8	683.2	1,066.6
Other income and gains	193.6	188.2	201.8	114.4	115.2
Selling and distribution expenses	(20.2)	(13.3)	(66.0)	(19.4)	(23.2)
Administrative expenses	(238.5)	(252.3)	(325.7)	(180.3)	(212.2)
Other expenses	(78.4)	(59.5)	(212.9)	(60.5)	(160.3)
Finance costs	(121.9)	(186.5)	(230.3)	(142.9)	(104.7)
Share of profits and losses of:					
Associates	(6.4)	19.2	58.2	38.9	(0.2)
Profit before tax from continuing operations	**471.9**	**711.9**	**1,307.9**	**433.4**	**681.2**
Income tax expense	(112.5)	(168.9)	(257.2)	(104.9)	(208.3)
Profit for the year/period from continuing operations	**359.4**	**543.0**	**1,050.7**	**328.5**	**472.9**
(Loss)/profit for the year/period from discontinued operations	**(8.1)**	**(132.8)**	**(237.1)**	**(28.6)**	**26.7**
Profit for the year/period	**351.3**	**410.2**	**813.6**	**299.9**	**499.6**
Attributable to:					
Owners of the parent	358.5	406.2	768.2	283.7	503.2
Non-controlling interests	(7.2)	4.0	45.4	16.2	(3.6)
	351.3	**410.2**	**813.6**	**299.9**	**499.6**

DISCONTINUED OPERATIONS AND NON-IFRS MEASURES

In December 2016, our Directors resolved to dispose of miscellaneous businesses, or discontinued operations, which mainly comprised of subsidiaries engaged in water utilities services, construction labor services and other non-core businesses. We have decided to cease those businesses because we plan to focus our resources on our construction contracting business. We classified the assets and liabilities attributable to the discontinued operations as a disposal group held for sale, and they are presented separately in our consolidated financial statements as of December 31, 2016. We entered into a series of agreements for the disposal in January 2017. See "History, Reorganization and Corporate Structure – Reorganization" and "Business – Discontinued Operations" for more information on our discontinued operations and our disposal.

The consolidation requirements in IFRS 10 call for elimination of not only intra-group profit but also income and expenses relating to intra-group transactions. Consequently, the revenue and cost of sales on our consolidated statement of profit or loss are stated after the elimination between continuing and discontinued operations, in addition to the intersegment eliminations required for issuers with more than one reportable operating segment.

During the Track Record Period, there have been significant intra-group transactions between our continuing and discontinued operations. In 2014, 2015, 2016 and the six months ended June 30, 2016, the sales from our continuing operations to our discontinued operations (recorded as revenue for our continuing operations and cost of sales for our discontinued operations), which mainly comprised of the provision of construction contracting services from our construction contracting business to the water treatment and distribution facilities under the BOT model (a major component of our discontinued operations), amounted to RMB56.2 million, RMB70.4 million, RMB573.0 million and RMB288.9 million, respectively, and such amounts were eliminated from our consolidated statement of profit or loss according to the consolidation requirements discussed above. During the same periods, the sales from our discontinued operations to our continuing operations (recorded as cost of sales for our continuing operations and revenue for our discontinued operations), which mainly comprised of the provision of labor services from Baoding Tianli (a major component of our discontinued operations) to our construction contracting business, amounted to RMB71.1 million, RMB235.6 million, RMB906.3 million and RMB363.4 million, respectively, and such amounts were also eliminated from our consolidated statement of profit or loss. We did not record any intra-group transactions between our continuing and discontinued operations in the six months ended June 30, 2017 because we ceased control of the discontinued operations on January 6, 2017.

Such intra-group eliminations decrease the revenue and cost of sales of our continuing operations, and on balance, increase the gross profit, profit before tax and profit for the year or period of our continuing operations. Such eliminations also decrease the revenue and cost of sales of our discontinued operations, and on balance, increase the gross profit, profit before tax and profit for the year or period of our discontinued operations. As a result, we believe that reinstating the eliminations between our continuing and discontinued operations would result in a more meaningful representation of the results of operations of our continuing and discontinued operations as individual entities, would ensure the comparability of the results of operations of our continuing business before and after December 31, 2016.

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we also use certain non-IFRS measures, including adjusted revenue, adjusted cost of sales, adjusted gross profit, adjusted profit before tax and adjusted profit/(loss) for the year or period, as additional financial measures, which are not required by, or presented in accordance with, IFRSs. We believe that these non-IFRS measures help identify underlying trends in our business that could otherwise be distorted by the elimination of income and expenses between our continuing and discontinued operations. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations, enhance the overall understanding of our past performance and future prospects in the same manner as they help our management. The use of these non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

We define adjusted revenue as revenue for our continuing operations added back with the eliminated sales from our continuing operations to our discontinued operations. We define adjusted cost of sales as cost of sales added back with the eliminated sales from our discontinued operations to our continuing operations, which is recorded as cost of sales for our continuing operations. We define adjusted gross profit as adjusted revenue minus adjusted cost of sales. We define adjusted profit before tax as profit before tax and before elimination between continuing and discontinued operations. We define adjusted profit/(loss) for the year or period as adjusted profit/(loss) for the year or period before elimination between continuing and discontinued operations.

The following table reconciles our IFRS financial measures and comparable adjusted financial measures, all of which should be considered when evaluating our performance:

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017[(4)]**
			(RMB in millions)		
				(Unaudited)	
Revenue	24,859.1	27,215.7	38,609.4	18,589.8	20,027.6
Add:					
Elimination between continuing and discontinued operations	56.2	70.4	573.0	288.9	–
Adjusted revenue	**24,915.3**	**27,286.1**	**39,182.4**	**18,878.7**	**20,027.6**
Cost of sales	24,115.4	26,199.6	36,726.6	17,906.6	18,961.0
Add:					
Elimination between continuing and discontinued operations	71.1	235.6	906.3	363.4	–
Adjusted cost of sales	**24,186.5**	**26,435.2**	**37,632.9**	**18,270.0**	**18,961.0**

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017[(4)]**
	(RMB in millions)				
				(Unaudited)	
Gross profit	743.7	1,016.1	1,882.8	683.2	1,066.6
Add:					
Elimination between continuing and discontinued operations	(14.9)	(165.2)	(333.3)	(74.5)	–
Adjusted gross profit	**728.8**	**850.9**	**1,549.5**	**608.7**	**1,066.6**
Profit before tax	471.9	711.9	1,307.9	433.4	681.2
Add:					
Elimination between continuing and discontinued operations	(16.8)	(166.2)	(331.1)	(55.8)	–
Adjusted profit before tax	**455.1**	**545.7**	**976.8**	**377.6**	**681.2**
Profit for the year/period	359.4	543.0	1,050.7	328.5	472.9
Add:					
Elimination between continuing and discontinued operations	(16.8)	(166.2)	(331.1)	(55.8)	–
Adjusted profit for the year/period	**342.6**	**376.8**	**719.6**	**272.7**	**472.9**
Gross margin	3.0%	3.7%	4.9%	3.7%	5.3%
Adjusted gross margin[(1)]	**2.9%**	**3.1%**	**4.0%**	**3.2%**	**5.3%**
Effective tax rate	23.8%	23.7%	19.7%	24.2%	30.6%
Adjusted effective tax rate[(2)]	**24.7%**	**31.0%**	**26.3%**	**27.8%**	**30.6%**
Net profit margin for the year/period from continuing operation	1.4%	2.0%	2.7%	1.8%	2.4%
Adjusted net profit margin for the year/period from continuing operation[(3)]	**1.4%**	**1.4%**	**1.8%**	**1.4%**	**2.4%**

(1) Adjusted gross margin is defined as adjusted gross profit divided by adjusted revenue.

(2) Adjusted effective tax rate is defined as tax expenses divided by adjusted profit before tax.

(3) Adjusted net profit is defined as adjusted profit for the year or period divided by adjusted revenue.

(4) We did not record any intra-group transactions between our continuing and discontinued operations in the six months ended June 30, 2017 because we ceased control of the discontinued operations on January 6, 2017. As such, our adjusted financial data in the six months ended June 30, 2017 is identical to the unadjusted financial data in the same period.

DESCRIPTION OF SELECTED COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

We derive our revenue primarily from two business segments: (i) construction contracting business; and (ii) other businesses. Our revenue represents total segment revenue adjusted by intersegment elimination. The following table sets forth our revenue by business segment for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)* (Unaudited)		*(RMB in millions)*	
Segment										
Construction contracting business	25,097.5	99.4%	27,242.3	98.0%	39,176.1	97.7%	19,114.7	98.6%	19,256.9	95.2%
– Building construction business	17,359.8	68.7	18,528.8	66.7	23,976.9	59.8	11,469.7	59.1	13,283.2	65.7
Residential construction	7,143.5	28.3	8,192.3	29.5	11,491.1	28.7	5,049.9	26.0	7,259.6	35.9
Public construction	5,203.2	20.6	6,226.3	22.4	7,437.6	18.5	3,595.9	18.5	3,393.2	16.8
Industrial construction	3,673.0	14.5	2,868.8	10.3	4,089.5	10.2	2,246.5	11.6	2,150.7	10.6
Commercial construction	1,340.1	5.3	1,241.4	4.5	958.7	2.4	577.4	3.0	479.7	2.4
– Infrastructure construction business	5,716.9	22.7	6,732.0	24.2	12,198.8	30.4	6,354.6	32.8	4,636.5	22.9
Municipal infrastructure construction	3,757.1	14.9	4,976.5	17.9	8,491.9	21.2	4,285.4	22.1	3,231.1	16.0
Transportation infrastructure construction	1,959.8	7.8	1,755.5	6.3	3,706.9	9.2	2,069.2	10.7	1,405.4	6.9
– Specialized and other construction business	2,020.8	8.0	1,981.5	7.1	3,000.4	7.5	1,290.4	6.7	1,337.2	6.6
Other businesses	139.0	0.6	556.5	2.0	904.5	2.3	279.8	1.4	960.8	4.8
Subtotal	**25,236.5**	**100.0%**	**27,798.8**	**100.0%**	**40,080.6**	**100.0%**	**19,394.5**	**100.0%**	**20,217.7**	**100.0%**
Intersegment elimination	(321.2)		(512.7)		(898.2)		(515.8)		(190.1)	
Adjusted revenue	**24,915.3**		**27,286.1**		**39,182.4**		**18,878.7**		**20,027.6**	
Elimination of sales between continuing and discontinued operations [(1)]	(56.2)		(70.4)		(573.0)		(288.9)		–	
Total	**24,859.1**		**27,215.7**		**38,609.4**		**18,589.8**		**20,027.6**	

(1) The sales from our continuing operations to our discontinued operations mainly represented the provision of construction contracting services from our construction contracting business to the water treatment and distribution facilities under the BOT model in our discontinued business.

Construction contracting business. This business generates revenue primarily from providing construction contracting services mainly as a general contractor for building construction projects and infrastructure construction projects. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, the revenue from this segment accounted for 99.4%, 98.0%, 97.7%, 98.6% and 95.2% of our revenue before intersegment elimination and elimination between continuing and discontinued operations, respectively.

Other businesses. This business generates revenue primarily from property development and property management. In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, the revenue from this segment accounted for 0.6%, 2.0%, 2.3%, 1.4% and 4.8% of our revenue before intersegment elimination and elimination between continuing and discontinued operations, respectively.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales primarily includes labor costs, raw material costs, machinery costs and subcontracting costs. The following table sets forth a breakdown of our adjusted cost of sales by nature for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)* (Unaudited)		*(RMB in millions)*	
Raw material costs	13,841.3	57.2%	14,897.8	56.4%	19,890.9	52.9%	10,197.7	55.8%	10,256.0	54.1%
Labor costs	5,072.6	21.0	5,455.6	20.7	8,335.8	22.2	3,864.0	21.1	4,039.5	21.3
Machinery costs	2,515.4	10.4	2,678.9	10.1	3,946.1	10.5	2,058.4	11.3	2,097.9	11.1
Subcontracting costs	529.8	2.2	567.8	2.1	905.4	2.4	372.4	2.0	393.4	2.1
Construction and installation costs	54.6	0.2	271.2	1.0	391.1	1.0	360.0	2.0	517.9	2.7
Land costs	9.0	0.1	22.9	0.1	118.8	0.3	104.2	0.6	149.9	0.8
Others	2,163.8	8.9	2,541.0	9.6	4,044.8	10.7	1,313.3	7.2	1,506.4	7.9
Total	**24,186.5**	**100.0%**	**26,435.2**	**100.0%**	**37,632.9**	**100.0%**	**18,270.0**	**100.0%**	**18,961.0**	**100.0%**

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.

For your reference only, the following tables demonstrate the sensitivity to a reasonably possible change in raw material costs and labor costs, with all other variables held constant, of our profit before tax during the Track Record Period:

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB in millions)				
				(Unaudited)	
Raw material costs increase/(decrease) by:					
+5%	(692.1)	(744.9)	(994.5)	(509.9)	(512.8)
+1%	(138.4)	(149.0)	(198.9)	(102.0)	(102.6)
-1%	138.4	149.0	198.9	102.0	102.6
-5%	692.1	744.9	994.5	509.9	512.8

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB in millions)				
				(Unaudited)	
Labor costs increase/(decrease) by:					
+5%	(253.6)	(272.8)	(416.8)	(193.2)	(202.0)
+1%	(50.7)	(54.6)	(83.4)	(38.6)	(40.4)
-1%	50.7	54.6	83.4	38.6	40.4
-5%	253.6	272.8	416.8	193.2	202.0

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

	Year ended December 31,						Six months ended June 30,			
	2014		2015		2016		2016		2017	
	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales	Cost of sales	% of cost of sales
	(RMB in millions)		*(RMB in millions)*		*(RMB in millions)*		*(RMB in millions)* (Unaudited)		*(RMB in millions)*	
Segment										
Construction contracting business	24,389.8	99.6%	26,544.1	98.6%	37,787.0	98.2%	18,555.4	98.9%	18,496.0	96.4%
– Building construction business	16,900.8	69.0	18,074.4	67.1	23,264.6	60.4	11,196.2	59.7	12,831.4	66.9
Residential construction	6,959.6	28.4	8,008.1	29.8	11,198.2	29.1	4,946.7	26.4	7,069.9	36.8
Public construction	5,068.0	20.7	6,064.3	22.5	7,154.7	18.6	3,496.0	18.6	3,277.5	17.1
Industrial construction	3,568.3	14.6	2,785.6	10.3	3,975.9	10.3	2,187.8	11.7	2,024.5	10.6
Commercial construction	1,304.9	5.3	1,216.4	4.5	935.8	2.4	565.7	3.0	459.5	2.4
– Infrastructure construction business	5,542.6	22.6	6,560.0	24.4	11,651.6	30.3	6,114.7	32.6	4,382.6	22.8
Municipal infrastructure construction	3,651.5	14.9	4,857.2	18.0	8,079.3	21.0	4,087.9	21.8	3,088.3	16.1
Transportation infrastructure construction	1,891.1	7.7	1,702.8	6.4	3,572.3	9.3	2,026.8	10.8	1,294.3	6.7
– Specialized and other construction business	1,946.4	8.0	1,909.7	7.1	2,870.8	7.5	1,244.5	6.6	1,282.0	6.7
Other businesses	100.6	0.4	387.2	1.4	708.6	1.8	215.6	1.1	693.4	3.6
Subtotal	**24,490.4**	**100.0%**	**26,931.3**	**100.0%**	**38,495.6**	**100.0%**	**18,771.0**	**100.0%**	**19,189.4**	**100.0%**
Intersegment elimination	(303.9)		(496.1)		(862.7)		(501.0)		(228.4)	
Adjusted cost of sales	**24,186.5**		**26,435.2**		**37,632.9**		**18,270.0**		**18,961.0**	
Elimination of sales between continuing and discontinued operations [(1)]	(71.1)		(235.6)		(906.3)		(363.4)		–	
Total	**24,115.4**		**26,199.6**		**36,726.6**		**17,906.6**		**18,961.0**	

(1) The sales from our discontinued operations to our continuing operations (recorded as cost of sales for our continuing operations) mainly represented the provision of labor services from Baoding Tianli (a major component of our discontinued operations) to our construction contracting business.

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

	Year ended December 31,									Six months ended June 30,					
	2014			2015			2016			2016			2017		
	Gross profit	% of gross profit	Gross margin	Gross profit	% of gross profit	Gross margin	Gross profit	% of gross profit	Gross margin	Gross profit	% of gross profit	Gross margin	Gross profit	% of gross profit	Gross margin
	(RMB in millions)			*(RMB in millions)*			*(RMB in millions)*			*(RMB in millions)*	(Unaudited)		*(RMB in millions)*		
Segment															
Construction contracting business	707.7	94.9%	2.8%	698.2	80.5%	2.6%	1,389.1	87.6%	3.5%	559.3	89.7%	2.9%	760.9	74.0%	4.0%
– *Building construction business*	459.0	61.5	2.6	454.4	52.4	2.5	712.3	44.9	3.0	273.5	43.9	2.4	451.8	43.9	3.4
Residential construction	183.9	24.6	2.6	184.2	21.2	2.2	292.9	18.5	2.5	103.2	16.6	2.0	189.7	18.4	2.6
Public construction	135.2	18.1	2.6	162.0	18.7	2.6	282.9	17.8	3.8	99.9	16.0	2.8	115.7	11.2	3.4
Industrial construction	104.7	14.0	2.8	83.2	9.6	2.9	113.6	7.2	2.8	58.7	9.4	2.6	126.2	12.3	5.9
Commercial construction	35.2	4.8	2.6	25.0	2.9	2.0	22.9	1.4	2.4	11.7	1.9	2.0	20.2	2.0	4.2
– *Infrastructure construction business*	174.3	23.4	3.0	172.0	19.8	2.6	547.2	34.5	4.5	239.9	38.5	3.8	253.9	24.7	5.5
Municipal infrastructure construction	105.6	14.2	2.8	119.3	13.7	2.4	412.6	26.0	4.9	197.5	31.7	4.6	142.8	13.9	4.4
Transportation infrastructure construction	68.7	9.2	3.5	52.7	6.1	3.0	134.6	8.5	3.6	42.4	6.8	2.0	111.1	10.8	7.9
– *Specialized and other construction business*	74.4	10.0	3.7	71.8	8.3	3.6	129.6	8.2	4.3	45.9	7.3	3.6	55.2	5.4	4.1
Other businesses	38.4	5.1	27.6	169.3	19.5	30.4	195.9	12.4	21.7	64.2	10.3	22.9	267.4	26.0	27.8
Subtotal	**746.1**	**100.0%**	**3.0%**	**867.5**	**100.0%**	**3.1%**	**1,585.0**	**100.0%**	**4.0%**	**623.5**	**100.0%**	**3.2%**	**1,028.3**	**100.0%**	**5.1%**
Intersegment elimination	(17.3)			(16.6)			(35.5)			(14.8)			38.3		
Adjusted gross profit	**728.8**			**850.9**			**1,549.5**			**608.7**			**1,066.6**		
Elimination of sales between continuing and discontinued operations	14.9			165.2			333.3			74.5			–		
Total	**743.7**			**1,016.1**			**1,882.8**			**683.2**			**1,066.6**		

Other Income and Gains

Our other income and gains primarily consists of interest income. The following table sets forth a breakdown of our other income and gains for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB in millions)				
				(Unaudited)	
Other income					
Interest income	140.3	129.6	171.2	113.4	67.7
Dividends from available-for-sale investments	20.1	21.2	14.0	–	0.3
Gains					
Gain on disposal of property, plant and equipment and prepaid land lease payments	0.6	33.4	6.6	0.2	22.0
Government grant	6.6	1.4	0.4	0.4	0.8
Changes in fair value of investment properties	1.9	2.2	(0.2)	–	0.4
Gain on disposal of subsidiaries	22.3	–	7.9	–	–
Gain on disposal of assets and liabilities of disposal groups classified as held for sale	–	–	–	–	22.7
Others	1.8	0.4	1.9	0.4	1.3
Total	**193.6**	**188.2**	**201.8**	**114.4**	**115.2**

Selling and Distribution Expenses

Our selling and distribution expenses principally consist of wages and salaries, welfare and social insurance, and sales and marketing fees.

The table below sets forth a breakdown of the major components of our selling and distribution expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(RMB in millions)				
				(Unaudited)	
Wages and salaries, welfare and social insurance	4.6	5.8	17.2	6.8	10.6
Sales and marketing fees	11.0	3.7	39.3	7.0	2.5
Office fees	1.5	1.0	2.8	3.0	2.8
Property management fees	1.2	0.1	5.0	1.7	2.6
Others	1.9	2.7	1.7	0.9	4.7
Total	**20.2**	**13.3**	**66.0**	**19.4**	**23.2**

Administrative Expenses

Our administrative expenses consist principally of wages and salaries, welfare and social insurance, traveling and transportation expense, depreciation and amortization and research and development costs. The table below sets forth a breakdown of the major components of our administrative expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	2015	2016	2016	2017
	(RMB in millions)				
				(Unaudited)	
Wages and salaries, welfare and social insurance	121.1	129.5	170.1	105.2	124.2
Traveling and transportation expense	23.9	23.3	23.9	11.2	11.8
Depreciation and amortization	20.3	20.9	27.4	14.2	7.1
Research and development costs	14.5	19.3	28.1	13.5	14.4
Office fees	12.9	12.9	19.7	10.5	9.6
Training and consultancy fees	17.2	17.0	18.4	10.1	24.3
Entertainment fees	12.7	13.2	18.1	10.2	13.3
Tax	6.6	7.0	7.0	3.9	3.4
Others	9.3	9.2	13.0	1.5	4.1
Total	**238.5**	**252.3**	**325.7**	**180.3**	**212.2**

Other Expenses

Our other expenses mainly include impairment loss on assets and administrative penalties and compensation. The table below sets forth a breakdown of the major components of our other expenses for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB in millions)				
				(Unaudited)	
Impairment losses on assets	69.7	51.7	121.9	46.8	158.3
Financial guarantee contract	3.7	3.1	13.3	13.3	(4.6)
Administrative penalties and compensation	1.9	2.9	69.3	0.3	0.1
Donations	2.9	0.3	3.1	–	–
Others	0.2	1.5	5.3	0.1	6.5
Total	**78.4**	**59.5**	**212.9**	**60.5**	**160.3**

Finance Costs

Our finance costs represent interest on bank loans and other borrowings. The following tables set forth the components of our finance costs for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB in millions)				
				(Unaudited)	
Interest on bank loans and other borrowings	221.5	307.0	436.1	239.6	165.2
Less: Interest capitalized	(99.6)	(120.5)	(205.8)	(96.7)	(60.5)
Total finance costs	**121.9**	**186.5**	**230.3**	**142.9**	**104.7**

Share of Profit and Loss of Associates

Our share of profit and loss of associates is the profit or loss attributable to us from our associates pursuant to our equity interests in such associates. An associate is an entity over which we have significant influence to participate in financial and operating policy decisions, but not control or joint control. In 2014 and the six months ended June 30, 2017, our share of loss of associates was RMB6.4 million and RMB0.2 million while in 2015 and 2016 and the six months ended June 30, 2016, our share of profit of associates was RMB19.2 million, RMB58.2 million and RMB38.9 million, respectively.

Profit before Tax from Continuing Operations

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our profit before tax from continuing operations was RMB471.9 million, RMB711.9 million, RMB1,307.9 million, RMB433.4 million and RMB681.2 million, respectively, and our adjusted profit before tax from continuing operations was RMB455.1 million, RMB545.7 million, RMB976.8 million, RMB377.6 million and RMB681.2 million, respectively.

Income Tax Expense from Continuing Operations

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our income tax from continuing operations was RMB112.5 million, RMB168.9 million, RMB257.2 million, RMB104.9 million and RMB208.3 million, respectively. During the same periods, our effective tax rate was 23.8%, 23.7%, 19.7%, 24.2% and 30.6%, respectively, and our adjusted effective tax rate was 24.7%, 31.0%, 26.3%, 27.8% and 30.6%, respectively.

In 2015 and 2016 and the six months ended June 30, 2016 and 2017, our adjusted effective tax rate was higher than the statutory tax rate of 25.0%, mainly due to effects of the land appreciation tax and deferred tax of certain loss-making subsidiaries not recognized. For a reconciliation of our effective tax rates with statutory tax rates in these periods, see note 11 in the Accountants' Report included in Appendix I to this prospectus.

During the Track Record Period, we did not have any material dispute or unresolved issues with relevant tax authorities.

Profit for the Year or Period from Continuing Operations

In 2014, 2015, 2016 and the six months ended June 30, 2016 and 2017, our profit for the year or period from continuing operations was RMB359.4 million, RMB543.0 million, RMB1,050.7 million, RMB328.5 million and RMB472.9 million, respectively, and our net profit margin from continuing operations was 1.4%, 2.0%, 2.7%, 1.8% and 2.4%, respectively. During the same periods, our adjusted profit from continuing operations was RMB342.6 million, RMB376.8 million, RMB719.6 million, RMB272.7 million and RMB472.9 million, respectively, and our adjusted net profit margin from continuing operations was 1.4%, 1.4%, 1.8%, 1.4% and 2.4%, respectively.

Discontinued Operations

In 2014, 2015 and 2016, our net loss from the discontinued operations was approximately RMB8.1 million, RMB132.8 million and RMB237.1 million, respectively, and our adjusted profit from the discontinued operations was approximately RMB8.7 million, RMB33.4 million and RMB94.0 million, respectively. In the six months ended June 30, 2017, our net profit from the discontinued operations was RMB26.7 million, and our adjusted profit for this period was RMB26.7 million as well.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2017 compared to Six months Ended June 30, 2016

Revenue

Our total revenue increased by 7.7% from RMB18,589.8 million in the six months ended June 30, 2016 to RMB20,027.6 million in the six months ended June 30, 2017. Our adjusted revenue increased by 6.1% from RMB18,878.7 million in the six months ended June 30, 2016 to RMB20,027.6 million in the six months ended June 30, 2017. The increase was due to increased revenue contribution from our two business segments, especially from our property development business in the other businesses segment.

Construction contracting business

Segment revenue of our construction contracting business increased slightly from RMB19,114.7 million in the six months ended June 30, 2016 to RMB19,256.9 million in the six months ended June 30, 2017, which was primarily due to an increase in the number of the residential construction projects we undertook in various southern provinces of China where construction activities begin earlier in the year than our projects in the northern provinces, resulting in increased revenue from these projects. This increase was partially offset by a decrease in our revenue from infrastructure construction business as several major infrastructure construction projects were completed while new projects did not start in the first half of 2017.

Other businesses

Segment revenue of our other businesses increased significantly from RMB279.8 million in the six months ended June 30, 2016 to RMB960.8 million in the six months ended June 30, 2017, which was primarily attributable to an increase in revenue from our property development business, resulting from an increase in our total recognized GFA of properties sold.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 5.9% from RMB17,906.6 million in the six months ended June 30, 2016 to RMB18,961.0 million in the six months ended June 30, 2017. Our adjusted cost of sales increased by 3.8% from RMB18,270.0 million in the six months ended June 30, 2016 to RMB18,961.0 million in the six months ended June 30, 2017. The increase in our cost of sales was generally in line with the increase in revenue in the same period.

Our gross profit increased by 56.1% from RMB683.2 million in the six months ended June 30, 2016 to RMB1,066.6 million in the same period in 2017, and our gross margin increased from 3.7% in the six months ended June 30, 2016 to 5.3% in the same period in 2017. Our adjusted gross profit increased by 75.2% from RMB608.7 million in the six months ended June 30, 2016 to RMB1,066.6 million in the same period in 2017, and our adjusted gross margin increased from 3.2% in the six months ended June 30, 2016 to 5.3% in the same period in 2017. The increase in our gross margin was mainly due to the increase of the proportion of revenue attributable to our other businesses, particularly property development business, with a higher margin than our construction contracting business, and the increase in the gross margin of our construction contracting business, reflecting our continuous efforts to undertake more construction contracting projects with higher margins and to a lesser extent, the decrease in raw materials cost brought by the new VAT scheme adopted in 2016.

Construction contracting business

Cost of sales for our construction contracting business decreased slightly from RMB18,555.4 million in the six months ended June 30, 2016 to RMB18,496.0 million in the six months ended June 30, 2017. Although our segment revenue increased, our segment cost of sales decreased primarily due to our greater economies of scale and reduced raw materials cost brought by the new VAT scheme adopted in 2016 because we have the ability to claim input VAT credits for purchase of raw materials that have not previously been available before the new VAT scheme.

Segment gross profit of our construction contracting business increased by 36.0% from RMB559.3 million in the six months ended June 30, 2016 to RMB760.9 million in the six months ended June 30, 2017, respectively, and segment gross margin was 2.9% and 4.0%, respectively, in the same periods. The increase in our gross margin of our construction contracting business over all segments was mainly due to our continuous effort to undertake more construction contracting projects with higher margins, and to a lesser extent, our reduced raw materials cost brought by the new VAT scheme adopted in 2016.

Other businesses

Cost of sales for our other businesses increased significantly from RMB215.6 million in the six months ended June 30, 2016 to RMB693.4 million in the six months ended June 30, 2017, which was generally in line with the significant increase in our segment revenue.

Segment gross profit of our other businesses increased significantly from RMB64.2 million in the six months ended June 30, 2016 to RMB267.4 million in the six months ended June 30, 2017, and segment gross margin was 22.9% and 27.8% in the six months ended June 30, 2016 and 2017, respectively. The increase in our gross margin was mainly attributable to the increase in the sales of high-margin properties following the rise of real estate price in the local market.

Other Income and Gains

Our other income and gains remained stable in the six months ended June 30, 2016 and 2017 at RMB114.4 million and RMB115.2 million, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 19.6% from RMB19.4 million in the six months ended June 30, 2016 to RMB23.2 million in the six months ended June 30, 2017, primarily due to an increase in our wages and salaries, welfare and social insurance associated with our expanded sales and marketing team for our property development projects, offset by a decrease of our sales and marketing fees because most of our completed properties for sale started presale in the first half of 2017 and we switched from using external marketing services to using our own sales and marketing team during the presale stage.

Administrative Expenses

Our administrative expenses increased by 17.7% from RMB180.3 million in the six months ended June 30, 2016 to RMB212.2 million in the six months ended June 30, 2017, primarily due to (i) an increase in our wages and salaries, welfare and social insurance reflecting our increased bonus payment to employees in recognition of our strong performance in 2016, and (ii) an increase in training and consultancy fees, and business development fees associated with the preparation for our Global Offering.

Other expenses

Our other expenses increased significantly from RMB60.5 million in the six months ended June 30, 2016 to RMB160.3 million in the six months ended June 30, 2017, primarily due to a significant increase in impairment loss on trade receivables and other receivables reflecting the result of our impairment assessment on trade and other receivables individually.

Finance Costs

Our finance costs decreased by 26.7% from RMB142.9 million in the six months ended June 30, 2016 to RMB104.7 million in the six months ended June 30, 2017. This decrease was mainly attributable to a decrease in interest on bank loans and other borrowings resulting from the lower average balance of such borrowings.

Share of Profit and Loss of Associates

Our share of profit and loss of associates reversed from a share of profit of RMB38.9 million in the six months ended June 30, 2016 to a share of loss of RMB0.2 million in the six months ended June 30, 2017 due to the disposals of entities related to our discontinued operations.

Income Tax Expenses

Our income tax increased significantly from RMB104.9 million in the six months ended June 30, 2016 to RMB208.3 million in the same period in 2017, primarily due to an increase in our profit before tax. Our effective tax rate increased from 24.2% in the six months ended June 30, 2016 to 30.6% in the six months ended June 30, 2017, and our adjusted effective tax rate increased from 27.8% in the six months ended June 30, 2016 to 30.6% in the six months ended June 30, 2017, primarily because we did not recognize deferred tax assets for some loss-making subsidiaries as it is not probable that taxable profit will be available against which their tax losses or temporary differences can be utilized with consideration of future profitability of these subsidiaries.

Profit from Continuing Operations

As a result of the foregoing, our profit from continuing operations increased by 44.0% from RMB328.5 million in the six months ended June 30, 2016 to RMB472.9 million in the six months ended June 30, 2017, and our adjusted profit from continuing operations increased by 73.4% from RMB272.7 million in the six months ended June 30, 2016 to RMB472.9 million in the six months ended June 30, 2017. In the six months ended June 30, 2016 and the six months ended June 30, 2017, our net profit margin from continuing operations was 1.8% and 2.4%, respectively, and our adjusted net profit margin from continuing operations was 1.4% and 2.4%, respectively.

Discontinued Operations

Our loss from discontinued operations was RMB28.6 million in the six months ended June 30, 2016 while our profit from discontinued operations in the six months ended June 30, 2017 was RMB26.7 million.

Profit for the Period

As a result of the foregoing, our profit from continuing operations for the period increased by 44.0% from RMB328.5 million in the six months ended June 30, 2016 to RMB472.9 million in the six months ended June 30, 2017.

2016 Compared to 2015

Revenue

Our total revenue increased by 41.9% from RMB27,215.7 million in 2015 to RMB38,609.4 million in 2016. Our adjusted revenue increased by 43.6% from RMB27,286.1 million in 2015 to RMB39,182.4 million in 2016. The increase was primarily because of the increased revenue of our construction contracting business and other businesses.

Construction contracting business

Segment revenue of our construction contracting business increased by 43.8% from RMB27,242.3 million in 2015 to RMB39,176.1 million in 2016, which was primarily due to (i) an increase in our revenue from building construction projects from RMB18,528.8 million in 2015 to RMB23,976.9 million in 2016, and in particular, rapid growth in public and residential building construction projects, which was mainly due to the sustained urbanization process resulting from favorable economic and industrial policies such as the 13th Five Year Plan and the national goal of building a moderately prosperous society by 2020, as well as our active efforts in extending and deepening our business network; and (ii) an increase in our revenue from infrastructure construction projects from RMB6,732.0 million in 2015 to RMB12,198.8 million in 2016, which was mainly because we responded to increased infrastructure investment and the accelerated transportation integration in the Beijing-Tianjin-Hebei Region by undertaking more infrastructure projects, including PPP projects.

Other businesses

Segment revenue of our other businesses increased by 62.5% from RMB556.5 million in 2015 to RMB904.5 million in 2016, which was primarily attributable to an increase in revenue from our property development business, due to the significant increase in our total recognized GFA of properties sold.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 40.2% from RMB26,199.6 million in 2015 to RMB36,726.6 million in 2016. Our adjusted cost of sales increased by 42.4% from RMB26,435.2 million in 2015 to RMB37,632.9 million in 2016. The increase in our cost of sales was generally in line with the increase in revenue in the same period.

Our gross profit was RMB1,016.1 million and RMB1,882.8 million in 2015 and 2016, respectively, and our gross margin was 3.7% and 4.9%, respectively. Our adjusted gross profit was RMB850.9 million and RMB1,549.5 million in 2015 and 2016, respectively, and our adjusted gross margin was 3.1% and 4.0%, respectively. The increase in our gross margin and adjusted gross margin was mainly due to the increase in the gross margin of our construction contracting business, reflecting our improved project mix, and our continuous efforts to undertake more construction contracting projects with higher margins.

Construction contracting business

Cost of sales for our construction contracting business increased by 42.4% from RMB26,544.1 million in 2015 to RMB37,787.0 million in 2016. The segment cost of sales increased at a slightly slower pace compared to segment revenue, primarily due to economies of scale and our enhanced budget management.

Segment gross profit of our construction contracting business was RMB698.2 million in 2015 and RMB1,389.1 million in 2016, respectively, and segment gross margin was 2.6% and 3.5%, respectively. The increase in our gross margin was mainly because we undertook more high quality public building construction projects, and transportation and municipal infrastructure construction projects with higher gross margins.

Other businesses

Cost of sales for our other businesses increased by 83.0% from RMB387.2 million in 2015 to RMB708.6 million in 2016, which was at a faster pace than the increase of segment revenue.

Segment gross profit of our other businesses was RMB169.3 million and RMB195.9 million in 2015 and 2016, and segment gross margin was 30.4% and 21.7%, respectively, in the same periods. The decrease in our gross margin was mainly attributable to the delivery of a property in 2015 with a relatively higher profit margin compared to our other property development projects.

Other Income and Gains

Our other income and gains increased by 7.2% from RMB188.2 million in 2015 to RMB201.8 million in 2016. The increase was mainly attributable to an increase in interest income from RMB129.6 million in 2015 to RMB171.2 million in 2016, which was mainly due to higher average balances of our entrusted loans granted and cash and cash equivalents in 2016 compared with 2015. The increase was partially offset by a decrease in our gain on one-off disposal of fixed assets and prepaid land lease payments.

Selling and Distribution Expenses

Our selling and distribution expenses increased significantly from RMB13.3 million in 2015 to RMB66.0 million in 2016, primarily due to (i) a significant increase in our sales and marketing fees resulting from the engagement of sales agents and marketing activities for our new property development projects, and (ii) an increase in our wages and salaries, welfare and social insurance associated with our expanded sales and marketing team.

Administrative Expenses

Our administrative expenses increased by 29.1% from RMB252.3 million in 2015 to RMB325.7 million in 2016, primarily due to (i) significant increases in wages and salaries, welfare and social insurance which resulted from our increased employee headcount in our business expansion, (ii) an increase in research and development costs in line with our business expansion and (iii) an increase in depreciation and amortization from new fixed assets for administrative use.

Other Expenses

Our other expenses increased significantly from RMB59.5 million in 2015 to RMB212.9 million in 2016, primarily due to (i) an increase in impairment loss on trade receivables and other receivables of RMB70.2 million, reflecting our business expansion; and (ii) approximately RMB68.0 million in compensation paid to our property customers because of our late delivery of a residential property development project.

Finance Costs

Our finance costs increased by 23.5% from RMB186.5 million in 2015 to RMB230.3 million in 2016. The increase was mainly attributable to an increase in interest on bank loans and other borrowings resulting from higher average balance of such borrowings, and was partially offset by an increase in interest capitalized relating to property development business.

Share of Profit and Loss of Associates

Our share of profit of associates was RMB19.2 million and RMB58.2 million in 2015 and 2016, respectively.

Income Tax Expense

Our income tax increased by 52.3% from RMB168.9 million in 2015 to RMB257.2 million in 2016, primarily due to an increase in our profit before tax. Our effective tax rate decreased from 23.7% in 2015 to 19.7% in 2016, and our adjusted effective tax rate decreased from 31.0% in 2015 to 26.3% in 2016, primarily because we incurred a larger amount of land appreciation tax in 2015 due to an increased proportion of our property development projects with higher margins sold in that year.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by 93.5% from RMB543.0 million in 2015 to RMB1,050.7 million in 2016, and our adjusted profit for the year from continuing operations increased by 91.0% from RMB376.8 million in 2015 to RMB719.6 million in 2016. In 2015 and 2016, our net profit margin from continuing operations was 2.0% and 2.7%, respectively, and our adjusted net profit margin from continuing operations was 1.4% and 1.8%, respectively.

Discontinued Operations

Our loss for the year from discontinued operations increased by 78.5% from RMB132.8 million in 2015 to RMB237.1 million in 2016, and our adjusted profit for the year from discontinued operations increased significantly from RMB33.4 million in 2015 to RMB94.0 million in 2016.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 98.3% from RMB410.2 million in 2015 to RMB813.6 million in 2016.

2015 Compared to 2014

Revenue

Our total revenue increased by 9.5% from RMB24,859.1 million in 2014 to RMB27,215.7 million in 2015. Our adjusted revenue increased 9.5% from RMB24,915.3 million in 2014 to RMB27,286.1 million in 2015. The increase was primarily because of the increased revenue from our construction contracting business and other businesses.

Construction contracting business

Segment revenue of our construction contracting business increased by 8.5% from RMB25,097.5 million in 2014 to RMB27,242.3 million in 2015, which was primarily due to (i) the increase in revenue from building construction projects from RMB17,359.8 million in 2014 to RMB18,528.8 million in 2015, reflecting the expanded scale of our public and residential building construction projects, partially offset by decreased revenue from industrial building construction projects, and (ii) the increase in our revenue from infrastructure construction projects from RMB5,716.9 million in 2014 to RMB6,732.0 million in 2015, reflecting increased revenue from our municipal infrastructure development projects that resulted from the increased infrastructure investment in China.

Other businesses

Segment revenue of our other businesses increased significantly from RMB139.0 million in 2014 to RMB556.5 million in 2015, mainly because our property development business was in a transition period in 2014, when the sale of previous projects had been concluded and new projects had not yet reached the delivery stage, while total recognized GFA of properties sold increased significantly in 2015.

Cost of Sales, Gross Profit and Gross Margin

Our cost of sales increased by 8.6% from RMB24,115.4 million in 2014 to RMB26,199.6 million in 2015. Our adjusted cost of sales increased by 9.3% from RMB24,186.5 million in 2014 to RMB26,435.2 million in 2015. The increase in our cost of sales was generally in line with the increase in revenue in the same period.

Our gross profit was RMB743.7 million and RMB1,016.1 million in 2014 and 2015, respectively, and our gross margin was 3.0% and 3.7%, respectively, in the same periods. Our adjusted gross profit was RMB728.8 million and RMB850.9 million in 2014 and 2015, and our adjusted gross margin was 2.9% and 3.1%, respectively. The increase in our gross margin and adjusted gross margin was primarily due to the increased proportion in our results of our other businesses with higher profitability.

Construction contracting business

Cost of sales for our construction contracting business increased by 8.8% from RMB24,389.8 million in 2014 to RMB26,544.1 million in 2015, which was generally in line with the increase in the segment revenue during the same periods.

Segment gross profit of our construction contracting business was RMB707.7 million in 2014 and RMB698.2 million in 2015, and segment gross margin remained relatively stable at 2.8% and 2.6%, in the same periods.

Other businesses

Cost of sales for our other businesses increased significantly from RMB100.6 million in 2014 to RMB387.2 million in 2015. The increase was generally in line with the increase revenue from other businesses.

Segment gross profit of our other businesses was RMB38.4 million in 2014 and RMB169.3 million in 2015, and segment gross margin was 27.6% and 30.4%, in the same periods. The increase in segment gross margin was mainly attributable to the delivery of a commercial property in 2015 with a relatively higher profit margin.

Other Income and Gains

Our other income and gains decreased slightly from RMB193.6 million in 2014 to RMB188.2 million in 2015.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 34.2% from RMB20.2 million in 2014 to RMB13.3 million in 2015, primarily because our sales and marketing fees in relation to the pre-sale of our property development projects decreased during this period, reflecting our reduced sales and marketing activities in our property development business in 2015.

Administrative Expenses

Our administrative expenses increased by 5.8% from RMB238.5 million in 2014 to RMB252.3 million in 2015, primarily due to increases in wages and salaries and in research and development costs in line with our business expansion.

Other Expenses

Our other expenses decreased by 24.1% from RMB78.4 million in 2014 to RMB59.5 million in 2015, primarily due to the decrease in impairment loss on trade receivables and other receivables of RMB18.0 million.

Finance Costs

Our finance costs increased by 53.0% from RMB121.9 million in 2014 to RMB186.5 million in 2015. The increase was mainly attributable to an increase in interest on bank loans and other borrowings resulting from the higher average balance of such borrowings, partially offset by an increase in interest capitalized relating to property development projects.

Share of Profit and Loss of Associates

Our share of loss of associates was RMB6.4 million in 2014, while our share of profit of associates was RMB19.2 million in 2015.

Income Tax Expense

Our income tax increased by 50.1% from RMB112.5 million in 2014 to RMB168.9 million in 2015, primarily due to an increase in profit before tax. Our effective tax rate remained stable at 23.8% in 2014 and 23.7% in 2015, while our adjusted effective tax rate increased from 24.7% to 31.0%, primarily because we incurred a larger amount of land appreciation tax in 2015 due to an increased proportion of our property development projects with higher margins sold in 2015.

Profit for the Year from Continuing Operations

As a result of the foregoing, our profit for the year from continuing operations increased by 51.1% from RMB359.4 million in 2014 to RMB543.0 million in 2015, and our adjusted profit for the year from continuing operations increased by 10.0% from RMB342.6 million in 2014 to RMB376.8 million in 2015. In 2014 and 2015, our net profit margin from continuing operations was 1.4% and 2.0% respectively, and our adjusted net profit margin from continuing operations was 1.4% and 1.4%, respectively.

Discontinued Operations

Our loss for the year from discontinued operations increased significantly from RMB8.1 million in 2014 to RMB132.8 million in 2015, and our adjusted profit for the year from discontinued operations increased significantly from RMB8.7 million in 2014 to RMB33.4 million in 2015.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 16.8% from RMB351.3 million in 2014 to RMB410.2 million in 2015.

LIQUIDITY AND CAPITAL RESOURCES

We have historically met our working capital 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 growth 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 working capital requirements.

We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the level of our account payables and receivables as well as amounts due from or to our contract customers and (ii) our ability to obtain external financing. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedules, and if necessary, adjust our investment, financing and dividend payout plans to ensure we maintain sufficient working capital.

Taking into account the estimated net proceeds from the Global Offering, 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.

Cash Flows

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

	Year ended December 31,			Six months ended June 30,	
	2014	**2015**	**2016**	**2016**	**2017**
	(RMB in millions)				
				(Unaudited)	
Net cash (used in)/generated from operating activities	(1,757.4)	1,141.2	2,261.6	1,049.8	(1,839.5)
Net cash (used in)/generated from investing activities	(222.8)	18.1	6.4	(73.8)	1,387.2
Net cash generated from/(used in) financing activities	2,044.1	(4.6)	138.4	(1,993.9)	(1,281.4)
Net increase/(decrease) in cash and cash equivalents	63.9	1,154.7	2,406.4	(1,017.9)	(1,733.7)
Cash and cash equivalents at the beginning of year	1,538.6	1,602.5	2,757.2	2,757.2	5,163.6
Cash and cash equivalents at the end of year	**1,602.5**	**2,757.2**	**5,163.6**	**1,739.3**	**3,429.9**

Net Cash (Used in)/Generated from Operating Activities

Cash flow from operating activities reflects (i) profit before tax adjusted for non-cash and non-operating items, such as depreciation and amortization and impairment allowances; (ii) the effects of movements in working capital, such as changes in trade and bills receivable, prepayments, deposits and other receivables, and inventories; and (iii) other cash items; such as income tax paid.

In the six months ended June 30, 2017, our net cash used in operating activities was RMB1,839.5 million, which was due primarily to (i) a decrease in trade and bills payables of RMB1,965.7 million; and (ii) an increase in prepayments, deposits and other receivables of RMB1,855.9 million. These cash outflows were partially offset by a decrease in amounts due from contract customers of RMB859.8 million. The net cash outflows from operating activities were primarily due to the substantial amount of cash we used to pay our suppliers, which resulted in a significant decrease in trade and bills payables, and the increase in our business volume, which resulted in a significant increase in prepayments, deposits and other receivables.

In 2016, our net cash generated from operating activities was RMB2,261.6 million, which was due primarily to an increase in trade and bills payable of RMB7,590.8 million. These cash inflows were partially offset by (i) an increase in amounts due from contract customers of RMB2,791.8 million; (ii) a decrease in amounts due to contract customers of RMB1,931.3 million; and (iii) an increase in trade and bills receivable of RMB1,810.0 million. The increases in trade and bills receivables and payables were in line with the increase in our business volume.

In 2015, our net cash generated from operating activities was RMB1,141.2 million, which was due primarily to an increase in trade and bills payables of RMB5,919.9 million. These cash inflows were partially offset by (i) an increase in trade and bills receivable of RMB3,622.4 million; (ii) an increase in prepayments, deposits and other receivables of RMB827.4 million; and (iii) an increase in properties under development of RMB810.0 million. The increase in trade and bills receivables and payables and prepayments, deposits and other receivables were in line with the increase in our business volume.

In 2014, our net cash used in operating activities was RMB1,757.4 million, which was due primarily to (i) an increase in amounts due from customers of RMB4,553.6 million; (ii) an increase in trade and bills receivables of RMB2,898.8 million; and (iii) an increase in properties under development of RMB1,324.9 million. These cash outflows were partially offset by an increase in trade and bills payable of RMB6,985.4 million. The net cash outflows from operating activities were primarily because we undertook a number of large-scale construction projects, in which we made large amounts of upfront payments, resulting in significant increases in amounts due from customers and trade and bills receivables, and we used a substantial amount of cash to expand our property development business in 2014.

Net Cash (Used in)/Generated from Investing Activities

In the six months ended June 30, 2017, our net cash generated from investing activities was RMB1,387.2 million, which was primarily due to proceeds from disposal of assets and liabilities of disposal groups classified as held for sale of RMB1,242.6 million.

In 2016, our net cash generated from investing activities was RMB6.4 million, consisting primarily of interest received of RMB144.9 million and repayment of loans from associated and joint venture of RMB30.0 million, partially offset by payments for the acquisition of property, plant and equipment of RMB170.9 million.

In 2015, our net cash generated from investing activities was RMB18.1 million, consisting primarily of (i) interest received of RMB89.4 million; and (ii) proceeds from the disposal of property, plant and equipment and prepaid land lease payments of RMB70.1 million, partially offset by payments for the acquisition of property, plant and equipment of RMB122.9 million.

In 2014, our net cash used in investing activities was RMB222.8 million, consisting primarily of (i) advance of loans to associate and joint venture of RMB165.0 million, (ii) payments for acquisition of property, plant and equipment of RMB134.4 million; and (iii) investment in associates of RMB70.8 million, partially offset by (i) interest received of RMB125.6 million and (ii) dividends received from investments of RMB20.6 million.

Net Cash Generated/(Used in) from Financing Activities

In the six months ended June 30, 2017, our net cash used in financing activities was RMB1,281.4 million, which was due primarily to (i) repayment of interest-bearing bank borrowings and other borrowings of RMB2,875.8 million; and (ii) dividends paid to shareholders of RMB1,031.4 million. These cash outflows were partially offset by additions of interest-bearing bank borrowings and other borrowings of RMB2,788.8 million.

In 2016, our net cash generated from financing activities was RMB138.4 million, primarily consisting of (i) additions of interest-bearing bank borrowings of RMB4,109.2 million; and (ii) a decrease in restricted cash for bank borrowings of RMB661.5 million, partially offset by repayment of interest-bearing bank borrowings of RMB4,561.8 million.

In 2015, our net cash used in financing activities was RMB4.6 million, primarily consisting of (i) repayment of interest-bearing bank borrowings and other borrowings of RMB3,525.5 million; (ii) an increase in restricted cash for bank borrowings of RMB411.5 million; (iii) dividend paid to shareholders of RMB176.0 million; (iv) interest paid of RMB133.2 million; and (v) repayment of loans to related parties of RMB1.2 million, partially offset by additions of interest-bearing bank borrowings of RMB4,224.5 million.

In 2014, our net cash generated from financing activities was RMB2,044.1 million, primarily consisting of (i) additions of interest-bearing bank borrowings of RMB4,770.4 million and (ii) capital contributions by our shareholders of RMB650.0 million, partially offset by (i) repayment of interest-bearing bank borrowings of RMB2,984.5 million and (ii) dividends paid to our shareholders of RMB304.0 million.

Net Current Assets

As of December 31, 2014, 2015, 2016 and June 30, 2017, we had net current assets of RMB971.4 million, RMB1,215.0 million, RMB2,105.8 million and RMB2,944.1 million, respectively. As of October 31, 2017, our net current assets amounted to RMB3,183.7 million.

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 June 30,	As of October 31,
	2014	2015	2016	2017	2017
	(RMB in millions)				
					(Unaudited)
Current Assets					
Prepaid land lease payments	1.7	1.5	0.8	0.8	0.8
Inventories	185.9	201.0	167.9	83.5	618.8
Amounts due from contract customers	24,097.3	25,632.3	27,706.9	26,847.1	30,246.5
Properties under development	2,372.6	3,182.6	3,604.5	3,164.1	3,264.4
Completed properties held for sale	596.1	773.5	816.4	1,457.5	1,345.6
Trade and bills receivables	6,126.0	9,798.8	10,777.4	10,684.6	9,990.4
Prepayments, deposits and other receivables	4,946.3	5,768.0	6,666.5	7,741.6	7,242.1
Pledged deposits	1,088.3	1,581.6	1,005.0	690.2	657.0
Cash and cash equivalents	1,602.5	2,757.2	4,668.8	3,429.9	3,576.2
	41,016.7	49,696.5	55,414.2	54,099.3	56,941.8
Assets of disposal groups classified as held for sale	–	–	4,468.7	–	–
Total Current Assets	**41,016.7**	**49,696.5**	**59,882.9**	**54,099.3**	**56,941.8**
Current Liabilities					
Trade and bills payables	27,932.8	33,852.7	40,291.3	38,325.6	41,289.8
Amounts due to contract customers	3,557.6	4,946.0	2,810.5	3,077.7	3,206.1
Other payables, advances from customers and accruals	4,858.3	5,485.6	7,703.7	7,559.8	7,236.7
Interest-bearing bank and other borrowings	3,486.8	3,982.0	3,316.3	1,769.2	1,796.5
Tax payable	206.1	208.4	396.0	407.4	215.8
Provision	3.7	6.8	20.1	15.5	13.2
	40,045.3	48,481.5	54,537.9	51,155.2	53,758.1
Liabilities directly associated with the assets classified as held for sale	–	–	3,239.2	–	–
Total Current Liabilities	**40,045.3**	**48,481.5**	**57,777.1**	**51,155.2**	**53,758.1**
Net Current Assets	**971.4**	**1,215.0**	**2,105.8**	**2,944.1**	**3,183.7**

Our net current assets increased from RMB2,105.8 million as of December 31, 2016 to RMB2,944.1 million as of June 30, 2017, primarily because the decrease in our current liabilities outpaced the decrease in our current assets.

Our net current assets increased from RMB1,215.0 million as of December 31, 2015 to RMB2,105.8 million as of December 31, 2016, primarily due to (i) increases in trade and bills receivables and amount due from contract customers, reflecting the growth of our business volume, (ii) an increase in cash and cash equivalents, reflecting significant cash inflow from our operating activities, and (iii) a decrease in amounts due to contract customers, partially offset by an increase in trade and bills payables.

Our net current assets increased from RMB971.4 million as of December 31, 2014 to RMB1,215.0 million as of December 31, 2015, primarily due to an increase in trade and bills receivables, prepayments, deposits and other receivables and amounts due from contract customers, reflecting the growth of our business volume, partially offset by an increase in trade and bills payables.

Inventories

Our inventories consist of raw materials. The following table sets forth details of our inventories as of the date indicated:

	As of December 31,			As of June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Raw materials	185.9	201.0	167.9	83.5

Our inventories balance decreased from RMB167.9 million as of December 31, 2016 to RMB83.5 million as of June 30, 2017, as we generally have a lower inventory balance after the winter season when most of our contracting projects begin construction. Our inventories balance decreased from RMB201.0 million as of December 31, 2015 to RMB167.9 million as of December 31, 2016, primarily due to our decision to dispose of the discontinued operations in 2016 and the resulting reclassification of its inventories as assets of disposal groups classified as held for sale. Our inventories balance increased from RMB185.9 million as of December 31, 2014 to RMB201.0 million as of December 31, 2015, primarily due to an increase in the number of construction projects that we undertook.

As of October 31, 2017, 100.0% of our inventories as of June 30, 2017 were utilized.

The following table sets forth our average inventory turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	**2015**	**2016**	**2017**
Inventory turnover days[1]	2	3	2	2

(1) Average inventory turnover days for the Relevant Periods is the average of opening and closing inventory balances divided by the cost of sales for that period and multiplied by 365 days, 365 days, 365 days and 180 days in 2014, 2015, 2016 and the six months ended June 30, 2017, respectively.

A significant majority of our revenue is derived from our construction contracting business, which is different from a manufacturing business, particularly in respect of the low inventory levels we keep. As such, inventory turnover days are not indicative of our operation status and not included in our analysis.

Properties under Development and Completed Properties Held-for-Sale

The table below sets forth the breakdown of our properties under development and completed properties for sale as of the dates indicated:

	As of December 31,			As of June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Properties under development	2,372.6	3,182.6	3,604.5	3,164.1
Completed properties held for sale	596.1	773.5	816.4	1,457.5
Total	**2,968.7**	**3,956.1**	**4,420.9**	**4,621.6**

As of December 31, 2014, 2015, 2016 and June 30, 2017, our properties under development amounted to RMB2,372.6 million, RMB3,182.6 million, RMB3,604.5 million and RMB3,164.1 million, respectively. Our properties under development decreased from RMB3,604.5 million as of December 31, 2016 to RMB3,164.1 million as of June 30, 2017, mainly due to an increase in properties available for sale while the total number of properties remained stable. The increase in the amount of our properties under development during 2014, 2015 and 2016 was mainly due to the increase in the number of our properties under construction.

Completed properties held for sale consists of our completed properties remaining unsold or sold but not yet delivered as of the end of each reporting period. As of December 31, 2014, 2015, 2016 and June 30, 2017, our completed properties for sale amounted to RMB596.1 million, RMB773.5 million, RMB816.4 million and RMB1,457.5 million, respectively. As of October 31, 2017, RMB324.1 million, or 22.2%, of our completed properties held for sale as of June 30, 2017 were sold.

Construction Contract Work-in-Progress

The following table sets forth our construction contract work-in-progress as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Amounts due from contract customers	24,097.3	25,632.3	27,706.9	26,847.1
Amounts due to contract customers	(3,557.6)	(4,946.0)	(2,810.5)	(3,077.7)
	20,539.7	**20,686.3**	**24,896.4**	**23,769.4**
Contract costs incurred plus recognized profit less recognized losses	106,473.8	134,868.8	167,198.1	189,814.3
Less: progress billings	(85,934.1)	(114,182.5)	(142,301.7)	(166,044.9)
	20,539.7	**20,686.3**	**24,896.4**	**23,769.4**

When contract costs incurred to date plus recognized profits less recognized losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognized profits less recognized losses, the surplus is shown as amounts due to customers for contract work. In our construction contracting projects, we generally send progress billings for confirmation by our customers based on the payment schedule set out in our construction contracting contracts. Once the progress billing is confirmed by the customer, such amounts will become trade receivables until the payment is made to us. In line with the market practice adopted in the construction industry in China, our incurred contract cost (plus recognized profit) for a construction project at a particular date, which is based on the percentage of completion of such project, is generally higher than the amount of our entitled progress billing, a reflection of the strong bargaining power of our customers when entering into the construction contracting contracts with us.

Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are shown as trade and bills receivables.

Our construction contract work-in-progress decreased from RMB24,896.4 million as of December 31, 2016 to RMB23,769.4 million as of June 30, 2017, mainly due to the completion and settlement of several construction contracting projects. As of October 31, 2017, RMB6,286.3 million, or 23.4%, of our amounts due from construction contract customers as of June 30, 2017 were subsequently billed to our customers in accordance with the terms of our construction contracting contracts.

During the Track Record Period, we had a significant amount of construction contract work-in-progress due to the cumulative effect of all ongoing construction projects, and the increase in our construction contract work-in-progress during 2014, 2015 and 2016 was primarily attributable to the increase in the number and scale of our construction contracting projects.

As of October 31, 2017, RMB20,938.7 million, RMB18,669.3 million, RMB12,673.3 million and RMB6,218.1 million of our amounts due from contract customers as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively, were subsequently billed to our customers in accordance with the terms of our construction contracting contracts, representing 86.9%,72.8%,45.7% and 23.2% of our amounts due from contract customers as of the same dates, respectively. A majority of our amounts due from contract customers as of December 31, 2016 and June 30, 2017 remained unbilled as of October 31, 2017, primarily due to the combination of (i) in line with the industry practice, we generally send a substantial portion of our progress billings to customers around the New Year or Chinese New Year, and (ii) most of our ongoing contraction projects have progress payment arrangements where we send progress billings to our customers based on certain milestone achieved on the projects, and as our large-scale construction projects require over two to three years to complete, the timing difference in between any project milestones may exceed six months or longer.

Trade and Bills Receivables

Our trade and bills receivables mainly represent the credit sales of our products or services to be paid by our customers. The following table sets forth details of our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Trade receivables	6,975.0	10,542.3	11,465.6	11,421.5
Provision for impairment	(279.7)	(327.3)	(434.5)	(509.1)
Trade receivables, net	6,695.3	10,215.0	11,031.1	10,912.4
Bills receivable	30.4	126.3	252.7	228.2
	6,725.7	10,341.3	11,283.8	11,140.6
Portion classified as non-current assets	(599.7)	(542.5)	(506.4)	(456.0)
Total	**6,126.0**	**9,798.8**	**10,777.4**	**10,684.6**

Our trade and bills receivables slightly decreased from RMB10,777.4 million as of December 31, 2016 to RMB10,684.6 million as of June 30, 2017, mainly due to seasonality. Our increase in trade and bills receivable during 2014, 2015 and 2016 primarily reflected the increase in our business volume. As of October 31, 2017, RMB5,502.5 million, or 51.5%, of our trade and bills receivables as of June 30, 2017 was settled.

The following is an aging analysis of trade and bills receivables (excluding retention fee) based on the billing date:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Within three months	5,039.1	8,201.6	8,985.7	4,153.8
Three months to six months	560.1	817.1	824.5	3,219.0
Six months to one year	2.4	21.7	57.3	2,156.5
Over one year	13.5	9.1	137.3	166.1
Total	**5,615.1**	**9,049.5**	**10,004.8**	**9,695.4**

During the Track Record Period, a majority of our trade and bills receivables (excluding retention fee) were outstanding for less than three months. However, based on the evaluation result and depending on our business development objectives, we allow additional flexibility by offering a credit period longer than three months to certain customers who are strategically important or with whom we have established a long-term relationship.

We have made provisions for the impairment of certain long overdue trade receivables in order to ensure the quality of our assets. As of December 31, 2014, 2015, 2016 and June 30, 2017, our provisions for the impairment of trade receivables were RMB279.7 million, RMB327.3 million, RMB434.5 million and RMB509.1 million, respectively, representing 4.0%, 3.1%, 3.8% and 4.5% of the aggregate amount of our trade receivables, respectively.

The following table sets forth the turnover days of our trade and bills receivables (excluding retention fee) for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
Average trade and bills receivables turnover days[1]	66	99	92	91

(1) Average trade and bills receivables turnover days for the relevant periods is the average of opening and closing balances excluding the balance of retentions (current portion) divided by the revenue for that period and multiplied by 365 days in 2014, 2015, 2016 and 180 days in the six months of 2017.

Our average trade and bills receivables turnover days remained stable in 2016 and the six months ended June 30, 2017. Our average trade and bills receivables turnover days decreased from 99 days in 2015 to 92 days in 2016, primarily due to the improved performance of the PRC construction industry and our improved capability in collecting trade receivables. Our average trade and bills receivables turnover days increased from 66 days in 2014 to 99 days in 2015, mainly because of longer settlement periods due to unfavorable general economic conditions in China adversely affecting the construction industry in 2015.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables mainly include deposits and other receivables and prepayments to suppliers. The following table sets forth details of our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Deposits and other receivables[1]	2,853.0	2,920.0	2,563.6	2,828.3
Provision for impairment of deposits and other receivables	(35.6)	(43.0)	(49.9)	(133.7)
Prepayments to suppliers	1,992.2	2,614.7	3,623.0	4,412.7
Dividend receivables	–	14.9	12.5	12.5
Other current assets	136.7	261.4	517.3	621.8
Total	**4,946.3**	**5,768.0**	**6,666.5**	**7,741.6**

(1) Consisting primarily of bid deposits, performance guarantees and advances to third parties.

The increase in our prepayments, deposits and other receivables during the Track Record Period primarily reflected the increase in deposits and other receivables and prepayments to suppliers, in line with the expansion of our construction contracting business.

Trade and Bills Payables

Our trade and bills payables mainly represent payables to our suppliers and subcontractors. The following table sets forth our trade and bills payables as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Trade payables	27,926.8	33,792.6	40,261.3	38,325.6
Bills payable	6.0	60.1	30.0	–
Total	**27,932.8**	**33,852.7**	**40,291.3**	**38,325.6**

Our trade and bills payables decreased from RMB40,291.3 million as of December 31, 2016 to RMB38,325.6 million as of June 30, 2017, primarily due to our payment of trade and bills payables. During 2014, 2015 and 2016, our trade and bills payables increased steadily, due to increased procurement driven by the expansion of our business operations.

As of October 31, 2017, RMB3,879.8 million, or 10.1%, of our trade and bills payables as of June 30, 2017 were settled.

The following table sets forth an aging analysis of trade and bills payables, based on the invoice date, as of the dates indicated:

	As of December 31,			As of June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Within six months	14,250.0	15,643.2	20,488.0	23,125.8
Six months to one year	8,779.7	12,876.2	14,385.5	10,922.5
One to two years	3,100.0	3,324.6	3,040.3	2,572.2
Two to three years	1,373.3	1,278.0	1,729.5	1,017.2
More than three years	429.8	730.7	648.0	687.9
Total	**27,932.8**	**33,852.7**	**40,291.3**	**38,325.6**

During the Track Record Period, a majority of our trade and bills payables had been outstanding for less than one year. As of December 31, 2014, 2015, 2016 and June 30, 2017, our trade and bills payables that had been outstanding for more than one year represented 17.6%, 15.8%, 13.4% and 11.2% of our total trade and bills payables, respectively. Normally, our trade and bills payables are settled within 12 months. Some suppliers may allow a credit period of over 12 months based on their long-term cooperation with us and our good credit history.

The following table sets forth our trade and bills payables turnover days for the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2014	**2015**	**2016**	**2017**
Average trade and bills payables turnover days(1)	371	430	368	373

(1) Average trade and bills payables turnover days for the relevant periods is the average of opening and closing balances divided by the cost of sales for that period and multiplied by 365 days in 2014, 2015, 2016 and 180 days in the six months of 2017.

Our average trade and bills payables turnover days decreased from 430 days in 2015 to 368 days in 2016, in line with our ability to recover more trade receivables from customers during this period due to favorable conditions in construction industry in China, which allowed us to settle our trade payables in a timely manner. Our average trade and bills payables turnover days increased from 371 days in 2014 to 430 days in 2015, mainly because our increased trade and bills receivables restricted our cash flow and limited our ability to settle trade payables in a timely manner.

Our directors confirm that we had no material defaults in payment of trade and bills payables during the Track Record Period.

Other payables, advances from customers and accruals

Our other payables, advances from customers and accruals mainly comprise advances from customers and other payables. The following table sets forth the components of our other payables, advances from customers and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Advances from customers	925.6	1,485.5	2,882.7	2,844.7
Accrued salaries, wages and benefits	133.5	116.9	71.5	125.0
Other taxes payable	1,219.5	1,436.7	2,227.1	2,128.2
Other payables[(1)]	2,566.6	2,378.7	2,406.6	2,337.7
Dividend payable	–	–	–	120.0
Interest payable	13.1	67.8	115.8	4.2
Total	**4,858.3**	**5,485.6**	**7,703.7**	**7,559.8**

(1) Consisting primarily of advances from third parties and performance guarantees from our sub-contractors.

Our other payables, advances from customers and accruals decreased from RMB7,703.7 million as of December 31, 2016 to RMB7,559.8 million as of June 30, 2017, due primarily to a decrease in our interest payable reflecting the reduced average balance of our bank loans and other borrowings. Our other payables, advances from customers and accruals increased from RMB5,485.6 million as of December 31, 2015 to RMB7,703.7 million as of December 31, 2016, primarily due to a significant increase in advances from customers, mainly pre-sales payments in our property development business, as well as an increase in other taxes payable, such as VAT payable.

Our other payables, advances from customers and accruals increased from RMB4,858.3 million as of December 31, 2014 to RMB5,485.6 million as of December 31, 2015, primarily due to a significant increase in advances from customers, mainly pre-sales payments in our property development business and an increase in other taxes payable, such as business tax and VAT payable.

Investments in associates

Our investment in associates reflects the investments in entities of which we have the power to participate in the financial and operating policy decisions. The table below sets forth details of our investments in associates as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Investments in associates	554.1	611.5	79.1	78.9

Our investments in associates remained stable as of June 30, 2017 compared with that as of December 31, 2016. Our investments in associates decreased by 87.1% from RMB611.5 million as of December 31, 2015 to RMB79.1 million as of December 31, 2016 primarily due to our decision to dispose of the discontinued operations in 2016 and the resulting reclassification of our investments in associates as assets of disposal groups classified as held for sale. Our investments in associates increased by 10.4% from RMB554.1 million as of December 31, 2014 to RMB611.5 million as of December 31, 2015 mainly reflecting the increase of our share of net assets of the associates.

Available-for-sale investments

Our available-for-sale financial investments are non-derivative financial assets in unlisted equity investments, representing our investments in entities established in the PRC.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Available-for-sale financial investments	242.4	242.4	148.5	188.5

Our available-for-sale financial investments increased from RMB148.5 million as of December 31, 2016 to RMB188.5 million as of June 30, 2017, because a proposed sale of an equity investment was not expected to be completed within one year due to prolonged regulatory approval process, and such equity investment was reclassified back into available-for-sale investment. Our available-for-sale financial investments decreased from RMB242.4 million as of December 31, 2015 to RMB148.5 million as of December 31, 2016, which was mainly attributable to the disposal of several equity investments in 2016. Our available-for-sale financial investments remained stable as of December 31, 2015 and December 31, 2014.

Deferred tax assets

Our deferred tax assets is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purpose. The table below sets forth details of our deferred tax assets as of the dates indicated:

	As of December 31,			As of June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Deferred tax assets	146.9	154.6	278.8	280.9
Deferred tax liabilities	(36.2)	(37.1)	(28.6)	(28.8)
Net deferred tax asset	110.7	117.5	250.2	252.1

Our net deferred tax assets remained stable as of December 31, 2016 and June 30, 2017. Our net deferred tax assets increased by 112.9% from RMB117.5 million as of December 31, 2015 to RMB250.2 million as of December 31, 2016, mainly attributable to (i) RMB60.0 million of deferred tax assets recognized related to the loss of Zhongcheng Real Estate in 2016, and (ii) RMB45.6 million of increase in provision for impairment of trade and other receivables reflecting an increased impairment loss resulted from our individually assessed trade receivables. Our net deferred tax assets remained relatively stable as of December 31, 2014 and 2015.

Receivables under service concession arrangements

Our receivables under service concession arrangements reflects the outstanding receivables arising from our construction services for the projects accounted under service concession arrangements adjusted by operation services and finance income after deducting the tariff payments accrued throughout a concession period. During the Track Record Period, all of our projects under service concession arrangements are water utilities services projects within our discontinued operations. The table below sets forth details of our receivables under service concession arrangements as of the dates indicated:

	As of December 31,			As of June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Receivables under service concession arrangements	151.2	302.5	–	–

Our receivables under service concession arrangements was nil as of June 30, 2017 and December 31, 2016 due to management's intention to dispose our water utilities services projects before December 31, 2016 and completion of the disposal in 2017 January. Our receivables under service concession arrangements increased significantly from RMB151.2 million as of December 31, 2014 to RMB302.5 million as of December 31, 2015 mainly reflecting our increased number of water utilities services projects in 2015.

INDEBTEDNESS

The following table sets forth details of our bank borrowings and other borrowings:

	As of December 31,			As of June 30,	As of October 31,
	2014	**2015**	**2016**	**2017**	**2017**
	(RMB in millions)				
					(Unaudited)
Current					
Bank – unsecured	631.7	633.8	443.0	299.0	187.0
Bank – secured	1,058.2	1,590.5	464.0	540.3	588.0
Other borrowings – unsecured[1]	110.0	–	–	71.0	414.3
Other borrowings – secured[1]	1,118.6	1,019.0	1,180.6	614.0	141.7
	2,918.5	3,243.3	2,087.6	1,524.3	1,331.0
Current portion of long term borrowings					
Bank – unsecured	33.0	26.5	–	36.0	–
Bank – secured	172.7	220.6	699.9	20.9	177.5
Other borrowings – unsecured[1]	30.0	228.0	92.0	188.0	92.0
Other borrowings – secured[1]	332.6	263.6	436.7	–	196.0
	568.3	738.7	1,228.6	244.9	465.5
	3,486.8	**3,982.0**	**3,316.2**	**1,769.2**	**1,796.5**
Non-current					
Bank – unsecured	155.0	218.0	148.0	158.0	–
Bank – secured	344.3	862.7	212.3	197.3	607.8
Other borrowings – unsecured[1]	138.0	204.0	–	1,305.0	1,205.0
Other borrowings – secured[1]	648.4	204.8	180.0	340.0	190.0
	1,285.7	**1,489.5**	**540.3**	**2,000.3**	**2,002.8**
	4,772.5	**5,471.5**	**3,856.5**	**3,769.5**	**3,799.3**

(1) Consisting mainly of entrusted loans and loans from trust companies.

The following table sets forth the maturity profile of our bank borrowings and other borrowings as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Bank loans repayable:				
Within one year	1,895.6	2,471.3	1,606.9	896.2
In the second year	130.0	572.7	152.5	158.0
In the third to fifth years, inclusive	214.3	–	–	197.3
Beyond five years	155.0	508.0	207.8	–
	2,394.9	**3,552.0**	**1,967.2**	**1,251.5**
Other borrowings repayable:				
Within one year	1,591.2	1,510.7	1,709.3	873.0
In the second year	370.0	408.8	180.0	340.0
In the third to fifth years, inclusive	370.0	–	–	1,305.0
Beyond five years	46.4	–	–	–
	2,377.6	**1,919.5**	**1,889.3**	**2,518.0**
	4,772.5	**5,471.5**	**3,856.5**	**3,769.5**

The following table sets forth the actual interest rate range of our bank borrowings and other borrowings as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(%)			
Bank borrowings	5.6-10.8	4.4-10.8	4.4-10.8	4.8-11.9
Other borrowings	4.0-12.0	4.3-12.5	4.3-12.5	4.3-10.3

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 June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Buildings	6.5	10.6	0.6	14.8
Prepaid land lease	37.0	56.4	44.6	37.0
Properties under development	565.9	760.5	1,227.4	303.4
Trade and bills receivable	250.6	246.7	210.8	43.4
Pledged deposit	250.0	661.5	–	–
Investment properties	–	133.9	–	–
Total	**1,110.0**	**1,869.6**	**1,483.4**	**398.6**

The following table sets forth the guaranteed portions of our bank borrowings and other borrowings:

	As of December 31,			As of June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Guaranteed by				
Controlling shareholders	500.0	638.0	54.5	218.2
Associated companies	30.0	30.0	73.0	30.0
Third parties	720.0	860.0	481.3	165.0
Total	**1,250.0**	**1,528.0**	**608.8**	**413.2**

In accordance with customary commercial practice, during the Track Record Period, we have entered into guarantee arrangements with our customers, suppliers and other third parties in the ordinary course of our business. Under such arrangements, a third party agrees to provide the guarantee for our bank borrowings, and we agree to provide reciprocal guarantees for its bank borrowings. We plan to gradually reduce the amount of our guaranteed borrowings. For details of our guarantees we have provided for the bank borrowings of third parties, see "– Contingent Liabilities."

Our bank borrowings and other borrowings decreased by RMB87.0 million from RMB3,856.5 million as of December 31, 2016 to RMB3,769.5 million as of June 30, 2017 due to our repayment of certain short-term borrowings, offset by an increase in our long-term borrowings from a related party. Our bank borrowings and other borrowings remained relatively stable at RMB3,799.3 million as of October 31, 2017 compared to RMB3,769.5 million as of June 30, 2017.

Our bank borrowings and other borrowings decreased by RMB1,615.0 million from December 31, 2015 to December 31, 2016, primarily due to our decision to dispose of the discontinued operations and the resulting reclassification of its bank and other borrowings as liabilities of the disposal group classified as held for sale, and repayment of existing loans.

Our bank borrowings and other borrowings increased by RMB699.0 million from December 31, 2014 to December 31, 2015, mainly due to our working capital requirements in anticipation of our business expansion, and enhanced cooperation with financial institutions.

As of October 31, 2017, the latest practicable date for the purpose of our indebtedness statement, we had strategic cooperation agreements with a number of PRC commercial banks totalling over RMB50.0 billion of credit line and we also had approximately RMB1.8 billion of unutilized banking facilities. As of the Latest Practicable Date, we were not subject to any material restrictive covenant in our borrowings. Our Directors confirm that we did not have any material defaults in payment of bank borrowings and other debt financing obligations or breaches of any restrictive covenants during the Track Record Period. Except for incurring additional bank borrowings, we currently have no material external debt financing plan before or shortly after the Global Offering.

Apart from the foregoing, we did not have, as of June 30, 2017, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities. Since June 30, 2017, there has been no material adverse change in our indebtedness.

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.

We have provided guarantees for mortgage facilities for certain purchasers of our properties amounting to RMB20.0 million, RMB347.9 million, RMB1,477.0 million and RMB1,688.5 million as of December 31, 2014, 2015, 2016 and June 30, 2017, respectively.

Our 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.

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 contingent liabilities provided for in the financial statements were as follows:

	As at December 31,			As at June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
Guarantees given to banks in connection with facilities granted to:				
– Third parties	270.0	694.0	1,196.3	1,165.0

The balance of financial guarantee contracts are as follows:

	As at December 31,			As at June 30,
	2014	**2015**	**2016**	**2017**
	(RMB in millions)			
	3.7	6.8	20.1	15.5

As of the October 31, 2017, the amount of guarantees given by us to banks in connection with facilities granted to third parties was RMB280.0 million, which was a guarantee we provided to a middle school as a joint guarantor with the local government in connection with a loan for the construction of its new campus, one of our PPP projects for which we provided construction contracting services, and the loan is due in March 2023. We have no current plan to discharge this guarantee, because (i) the guarantee was intended to facilitate the recovery of our investment in this PPP project; and (ii) of the low default risk of the underlying loan and the creditworthiness of the borrower and the joint guarantor.

Our Directors confirm that there has been no material adverse change in our contingent liabilities since June 30, 2017 to the date of this prospectus.

CAPITAL EXPENDITURES

In the past, we incurred capital expenditures primarily for property, plant and equipment and prepaid land leases. The following table sets forth the components of our capital expenditures for the periods indicated:

	Year ended December 31,			**Six months ended June 30,**	
	2014	**2015**	**2016**	**2016**	**2017**
			(RMB in millions)		
				(Unaudited)	
Property, plant and equipment	134.4	121.9	193.9	139.8	55.9
Prepaid land leases	8.8	–	–	–	–
Total	**143.2**	**121.9**	**193.9**	**139.8**	**55.9**

We estimate that our capital expenditures in the second half of 2017 and 2018 will be approximately RMB21.4 million and RMB82.7 million, respectively, which will be mainly used for purchasing land use rights and the construction of our new headquarters and facilities related to our specialized steel-structure construction contracting business. These capital expenditures will be financed by our own funds and bank borrowings.

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 the PRC and globally.

COMMITMENTS

Operating Lease Commitments

As lessor

We lease certain 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 June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Within one year	5.3	6.2	7.1	2.9
In the second to fifth years, inclusive	24.8	22.6	17.7	5.7
After five years	13.9	9.9	7.6	–
	44.0	**38.7**	**32.4**	**8.6**

As lessee

We rent certain buildings as production facilities and office premises under operating lease arrangements. We had commitments for future minimum lease payments under non-cancellable operating leases as of the dates indicated:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Within one year	5.2	5.3	4.9	9.2
In the second to fifth years, inclusive	14.6	10.9	7.1	5.2
After five years	13.7	12.1	11.0	1.2
	33.5	**28.3**	**23.0**	**15.6**

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 June 30,
	2014	2015	2016	2017
	(RMB in millions)			
Contracted, but not provided for:	**17.6**	**24.1**	**8.3**	**15.0**

OFF-BALANCE SHEET ARRANGEMENTS

As of June 30, 2017, 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 six months ended June 30,
	2014	2015	2016	2017
Current ratio (times)	1.0	1.0	1.0	1.1
Quick ratio (times)	1.0	1.0	1.0	1.1
Gearing ratio	245.2%	251.9%	124.8%	152.7%
Net debt to equity ratio	107.0%	52.2%	Net Cash	Net Cash
Return on assets	0.9%	0.9%	1.4%	N/A
Return on equity	22.3%	19.9%	30.9%	N/A

Current ratio

Current ratio represents current assets divided by current liabilities at the end of each period. Our current ratio remained stable during the Track Record Period.

Quick ratio

Quick ratio represents current assets (excluding inventory) divided by current liabilities at the end of each period. Our quick ratio remained stable during the Track Record Period.

Gearing ratio

Gearing ratio represents total interest-bearing debts divided by total equity at the end of each period. Our gearing ratio increased from 124.8% as of December 31, 2016 to 152.7% as of June 30, 2017, mainly due to an increase in our other borrowings which resulted in an increase in our total debt; and our distribution of cash dividend in January 2017 which resulted in a decrease in our total equity. Our gearing ratio decreased from 251.9% as of December 31, 2015 to 124.8% as of December 31, 2016, mainly due to (i) an increase in our total equity, which was primarily attributable to our profit for the year, and (ii) a decrease in our interest-bearing borrowings. Our gearing ratio remained relatively stable at 245.2% and 251.9% as of December 31, 2014 and 2015, respectively, as our interest-bearing borrowings and total equity increased at approximately the same pace.

Net debt to equity ratio

Net debt represents total interest-bearing borrowings net of cash and cash equivalents and pledged deposits. We had net cash as of both December 31, 2016 and June 30, 2017. Our net debt to equity ratio was 52.2% as of December 31, 2015, and we had net cash as of December 31, 2016, mainly due to (i) a decrease in our interest-bearing borrowings, and (ii) an increase in our cash and cash equivalents. Our net debt to equity ratio decreased from 107.0% as of December 31, 2014 to 52.2% as of December 31, 2015, primarily due to (i) an increase in our total equity, which was primarily attributable to our profit for the year, and (ii) an increase in our cash and cash equivalents, partially offset by an increase in our interest-bearing borrowings.

Return on assets

Return on assets is our profit for the year divided by the average value of beginning and ending balances of our total assets for each period. Our return on assets increased from 0.9% in 2015 to 1.4% in 2016, mainly because of a significant increase in our profit for 2016, partially offset by an increase in the average value of our total assets during the same periods. Our return on assets remained stable at 0.9% in 2014 and 2015, respectively.

Return on equity

Return on equity is our net profit divided by the average value of beginning and ending balances of our equity for each period. Our return on equity increased from 19.9% in 2015 to 30.9% in 2016, primarily due to a significant increase in our profit for 2016, partially offset by an increase in the average value of our total equity during the same periods. Our return on equity decreased from 22.3% in 2014 to 19.9% in 2015, primarily attributable to the capital contributions by our shareholders. Our high level of return on equity during the Track Record Period was mainly attributable to our use of bank borrowings and relatively large scale of working capital to finance our project.

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. For details, see note 46 in the Accountants' Report included in Appendix I to this prospectus.

Interest rate risk

Our exposure to market risk for changes in interest rates relates primarily to our interest-bearing bank and other borrowings. We do not use derivative financial instruments to hedge our interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of our profit before tax, through the impact on floating rate borrowings:

Increase/(decrease) in basis points of the benchmark deposit and lending rate of RMB	Increase/(decrease) in profit before tax			
	Year ended December 31,			Six months ended June 30,
	2014	2015	2016	2017
	(RMB in millions)			
100	(17.4)	(26.6)	(32.9)	(14.9)
(100)	17.4	26.6	32.9	14.9

Credit risk

The carrying amounts of cash and bank balances, pledged deposits, trade and bills receivables, and financial assets included in prepayments, deposits and other receivables represent our maximum exposure to credit risk in relation to financial assets. Substantially all of our cash and bank balances and pledged deposits are held in major financial institutions located in the PRC, which our senior management believes are of high credit quality. We have policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

We trade only with recognized and creditworthy customers with no requirement for collateral. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and our exposure to bad debts is not significant.

Further quantitative data in respect of our exposure to credit risk arising from trade and bills receivables are disclosed in note 28 in the Accountants' Report in Appendix I to this Prospectus.

Liquidity risk

Our liquidity 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.

For details of the maturity profile of our financial liabilities based on the contractual undiscounted payments, see note 46 in the Accountants' Report included in Appendix I to this prospectus.

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 September 30, 2017. A summary of values and valuation certificates issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited are included in the Property Valuation Report set forth in Appendix III to this prospectus.

A reconciliation of our selective property interests as of September 30, 2017 and such property interests in our consolidated financial statements as of June 30, 2017 as required under Rule 5.07 of the Listing Rules is set forth below:

	(RMB in millions)
Net book value of selective property interests as of June 30, 2017	2,382
Additions	194
Sold	(268)
Net book value as of September 30, 2017	2,308
Valuation surplus as of September 30, 2017	329
Valuation as of September 30, 2017	2,637[1]

DIVIDEND

After the completion of the Global Offering, we may distribute dividends by way of cash or by other means that we consider appropriate. Any proposed distribution of dividends shall be determined by our Board and will be subject to our shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including our results of operations, cash flow, financial condition, payments by our subsidiaries of cash dividends to us, future prospects and other factors that our Directors may consider important. We currently do not have a fixed dividend payout ratio. According to PRC law and our Articles of Association, we will pay dividends out of our profit after tax only after we have made the following allocations:

- recovery of accumulated losses, if any;
- allocations to the statutory reserve equivalent to 10% of our after-tax profit, as determined under PRC GAAP and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required; and
- allocations that are approved by the shareholders in a shareholders' meeting, if any, to any common reserve fund.

1 Including commercial value and reference value of the selective property interests in the consolidated financial statement as of September 30, 2017.

In accordance with our Articles of Association, after completion of the Global Offering, dividends may be paid only out of distributable profits as determined under PRC GAAP or IFRSs, whichever is lower. Any distributable profits that are not distributed in any given year will be retained and become available for distribution in subsequent years. There is, however, no assurance that we will be able to declare dividends of such an amount or any amount each year or in any year.

In 2014, 2015, 2016 and the six months ended June 30, 2017, we declared and paid cash dividends of RMB304.0 million, RMB176.0 million, RMB14.9 million and RMB1,031.4 million, respectively. However, our historical dividends may not be indicative of future dividend payments. In April 2017, we were incorporated in the PRC through conversion into a joint stock company with limited liability from our predecessor based on our audited net assets as of January 31, 2017. For details, see "History, Reorganization and Corporate Structure – Reorganization – Conversion into a Joint Stock Company." According to the resolution approved by our shareholders in November 2017, our existing shareholders are entitled to cash dividends of RMB500.0 million out of our retained earnings as of June 30, 2017. We intend to fully pay these cash dividends to our existing shareholders before our Listing using our available cash.

Our accumulated undistributed profits from July 1, 2017 until the Global Offering will be shared among our existing shareholders and new shareholders.

DISTRIBUTABLE RESERVES

As of June 30, 2017, our Company had reserves available for distribution to our shareholders in an aggregate amount of RMB1,020 million.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets attributable to the equity 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 equity shareholders of our Company as of June 30, 2017 as if the Global Offering had taken place on June 30, 2017.

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 June 30, 2017 or at any future date.

	Consolidated net tangible assets attributable to Shareholders of the Company as of June 30, 2017(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 in millions)		*(RMB)(3)*	*(HK\$)(4)*
Based on Offer Price of HK\$4.46 per Share	2,286.1	1,560.3	3,846.3	2.22	2.63
Based on Offer Price of HK\$5.36 per Share	2,286.1	1,877.8	4,163.9	2.40	2.85

(1) The consolidated net tangible assets attributable to the Shareholders of the Company as of June 30, 2017 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 of June 30, 2017 of RMB2,286.1 million after deducting intangible assets and goodwill of nil and nil. The unaudited pro forma adjusted consolidated net tangible assets of the Company does not take into account of a special dividend of RMB500.0 million declared on November 10, 2017 by our Company. Such dividend is expected to be paid to our then Shareholders before the Listing. Had the special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK\$2.28 (assuming an Offer Price of HK\$4.46 per Share) and HK\$2.50 (assuming an Offer Price of HK\$5.36 per Share), respectively.

(2) The estimated net proceeds from the Global Offering are based on 1,733,334,000 Shares at the Offer Price of HK\$4.46 and HK\$5.36 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company. No account has been taken of the Shares which may be issued pursuant to any exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of RMB0.84377 to HK\$1.00, which was the PBOC rate prevailing on November 27, 2017. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to Renminbi, or *vice versa*, at that rate or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share is calculated based on 1,733,334,000 Shares, comprising 1,300,000,000 Shares in issue at June 30, 2017 and 433,334,000 new Shares to be issued under the Global Offering. It does not take into account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per Share are converted from RMB into Hong Kong dollars at the rate of HK\$1.00 to RMB0.84377, which was the PBOC rate prevailing on November 27, 2017. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or *vice versa*, at that rate or at any other rates or at all.

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 September 30, 2017. 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.

The following table sets forth a summary of such properties, as well as the valuation method and key parameters used in the valuation process:

Property	Total market value in existing state as of September 30, 2017	Valuation method and key parameters
	(RMB in millions)	
Project Wetland (威蘭德小鎮) located at the junction of Shuangnan Street and Baihe Road, Shuangliu District, Chengdu City, Sichuan Province	1,126.0	The valuation was 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".
Project Zhongcheng Jingdian (中誠晶典) located at the west of Fujiang Street and the south of Tianyuan Road, Jingxiu District, Baoding City, Hebei Province	531.0	Our properties were valued in three groups, namely, completed properties held for sale, properties held under development and properties held for future development. For details of the valuation of our selected properties, see the Property Valuation Report in Appendix III to this prospectus.
Project Langton Manor (蘭頓莊園) located at the south of Fuqian East Street and the east of Changcheng North Road, Shacheng Town, Huailai County, Zhangjiakou City, Hebei Province	980.0	
Total	**2,637.0**	

RELATED-PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors believe that each of the related-party transactions set out in note 43 in the Accountants' Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's-length basis between the relevant parties and was entered into on normal commercial terms. Our Directors are also of the view that our related-party transactions during the Track Record Period would not distort our track record results or make our historical results not indicative of our future performance.

As of June 30, 2017, all of our balances with related parties were trade in nature, except for the following which consists primarily of:

(i) RMB59.0 million of loans to a joint venture, which has been settled in August 2017;

(ii) RMB92.0 million of entrusted loan from an associate company, which is not our connected person; and

(iii) RMB1,305.0 million of entrusted loan from a fellow subsidiary, which has been settled in August 2017.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since June 30, 2017 (being the date to which our latest consolidated audited financial results were prepared) and there is no event since June 30, 2017, which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

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.

LISTING EXPENSES

We estimate that our total listing expenses in relation to this Global Offering will be approximately RMB111.9 million (based on the midpoint of our indicative 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, of which a total amount of RMB76.2 million is directly attributable to the issue of our H Shares and to be capitalized. The remaining RMB35.7 million has been or will be expensed in 2017. During the Track Record Period, we incurred listing expenses in relation to the Global Offering of RMB24.8 million. Our Directors do not expect such listing expenses to materially impact our results of operations for 2017.

FUTURE PLANS

See “Business – Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of HK$2,037.2 million from the Global Offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK$4.91 per Share, being the mid-point of the indicative Offer Price range. We intend to use such net proceeds from the Global Offering for the purposes and in the amounts set forth below:

- Approximately 40%, or HK$814.9 million, to be used to undertake the construction of certain construction contracting projects remain to be completed. For a list of our backlog, see “Business – Construction Contracting Business – Backlog and New Contract Value.”

- Approximately 40%, or HK$814.9 million, to be used to fund our equity investment commitments under existing and future PPP projects. For details of our PPP projects, see “Business – Construction Contracting Business – Contracting Models – PPP Model.”

- Approximately 10%, or HK$203.7 million, to be used to repay the principal of and interest on our loans on or before their respective maturity dates. The interest rates charged to these bank loans range from 4.79% to 11.85% and the maturity dates of these bank loans range from January 2018 to April 2018. These bank loans were used as working capital on our construction projects;

- Approximately 10%, or HK$203.7 million, for general corporate purposes.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares will be approximately HK$308.0 million, after deducting the underwriting commissions and other estimated expenses payable by us in connection with the Global Offering, assuming an Offer Price of HK$4.91 per Share, being the mid-point of the indicative Offer Price range. We intend to use such additional net proceeds for the above uses on a pro rata basis.

If the Offer Price is fixed at HK$5.36 per H Share, being the high-end of the indicative Offer Price range, and given that the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK$188.2 million. If the Offer Price is fixed at HK$4.46 per H Share, being the low-end of the indicative Offer Price range, and given that the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK$188.2 million. If the Offer Price is set above the mid-point of the indicative Offer Price range, we intend to apply the additional amounts towards to the above uses on a pro rata basis. If the Offer Price is set below the mid-point of the indicative Offer Price range, we intend to reduce the amounts allocated to the above uses on a pro rata basis.

To the extent that the net proceeds from the Global Offering are not immediately applied to the above purposes, we intend to deposit such net proceeds into short-term interest-bearing accounts, such as bank deposits or money market funds with licensed banks or other financial institutions.

HONG KONG UNDERWRITERS

China International Capital Corporation Hong Kong Securities Limited
CMB International Capital Limited
Zhongtai International Securities Limited
ABCI Securities Company Limited
CCB International Capital Limited
China Merchants Securities (HK) Co., 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 43,334,000 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 of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) may, in their sole and absolute discretion, be entitled by notice in writing to the Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- there shall develop, occur, exist or come into effect:
  - any event or series of events or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak or escalations of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of

terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, Singapore or any other jurisdiction relevant to the Group (each a "**Relevant Jurisdiction**"); or

- any new law or regulation or any change or development involving a prospective change in existing laws or regulations, 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 any of the Relevant Jurisdictions; or

- any change or development involving a prospective change or development, or any event or series of events resulting or likely to result in or representing any change or development, or any prospective change or development, in local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions or exchange control or any monetary or trading settlement system (including, without limitation, a change in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) or a change in the system under which the value of the Hong Kong dollar is linked to the United States dollar or revaluation of Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates, in or affecting any of the Relevant Jurisdictions; or

- any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority (each as defined under the Hong Kong Underwriting Agreement) or other competent authority), New York (imposed at Federal or New York State level or other competent authority) or any other Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or

- 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 generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

- a change or development or event involving a prospective change in taxation or exchange control (or the implementation of any exchange control), currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies) in any of the Relevant Jurisdictions adversely affecting an investment in the H Shares; or

- any adverse change or development involving a prospective adverse change or development in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position or condition (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

- any Director or Supervisor being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government, political, regulatory body of any action against any Director or Supervisor in his capacity as such or an announcement by any governmental, political regulatory body that it intends to take any such action; or

- any governmental authority or a political or regulatory body or organisation in any Relevant Jurisdiction commencing any investigation or take other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director; or

- any litigation or claim being threatened or instigated against the any member of the Group; or

- any contravention by any member of the Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law, the Listing Rules or other applicable Laws (as defined under the Hong Kong Underwriting Agreement); or

- a prohibition on the Company for whatever reason from offering, allotting, issuing or selling the Offer Shares (including the H Shares allotted or sold under the Over-allotment Option) pursuant to the terms of the Global Offering; or

- except with the prior written consent of the Joint Representatives, the issue or requirement to issue by the Company of any supplement or amendment to the prospectus or other documents in connection with the offer and sale of the H Shares pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Hong Kong Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or

- an order or a petition is presented for the winding up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is 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;

which, in any such case individually or in the aggregate, in the "sole and absolute" opinion of the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Company or the Group as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Public Offering or the Global Offering or the delivery of the Offered Shares to be performed or implemented or proceed as envisaged or to market the Global Offering; (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement incapable of performance in accordance with on the terms and in the manner contemplated by the prospectus, the Application Forms, the Formal Notice (as defined under the Hong Kong Underwriting Agreement), the preliminary offering circular or the offering circular; or

- there comes to the notice of the Joint Representatives:

  - any statement contained in any of the prospectus, the Application Forms and the Formal Notice (as defined under the Hong Kong Underwriting Agreement) and/or in any notices, announcements, PHIP (as defined under the Hong Kong Underwriting Agreement), advertisements, communications or other documents 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, when it was issued, or has become, untrue, incorrect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the prospectus, the Application Forms and the Formal Notice and/or any notices, announcements, PHIP, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

  - non-compliance of the Hong Kong Public Offering Documents (as defined under the Hong Kong Underwriting Agreement) (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 regulation; or

  - any matter or event arising or has been discovered rendering or there coming to the notice of any of the Joint Representatives or the Hong Kong Underwriters any matter or event showing any of the representations, warranties and undertakings given by the Company or the Warrantors (as defined under the Hong Kong Underwriting Agreement) in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect or having been breached in any material respect, or misleading in any aspect; or

- any matter or event, act or omission which gives or is likely to give rise to any liability of the Company or the Warrantors pursuant to the indemnities given by the Company, the Warrantors or any of them under the Hong Kong Underwriting Agreement; or

- there has been a material breach of the Hong Kong Underwriting Agreement or the International Underwriting Agreement by the Company and/or the Warrantors; or

- any of the experts (other than the Joint Sponsors) specified in the prospectus has withdrawn its respective consent to the issue of the prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

- the Company has withdrawn the prospectus, the Application Forms (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

- approval by the Listing Committee of the listing of, and permission to deal in, the Offer Shares, subject only to allotment and the dispatch of share certificates in respect thereof, is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

- any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, not having been disclosed in the prospectus, constitutes a material omission therefrom; or

- the investment commitments by the cornerstone investor after signing of agreement with such cornerstone investor having been withdrawn, terminated or cancelled or a material portion of the orders in the bookbuilding process at the time the International Underwriting Agreement is entered into having been withdrawn, terminated or cancelled and such withdrawn, terminated or cancelled orders not having been fully covered by other orders at or before 4:00 p.m. on December 14, 2017 (the "**replacement orders**") or any replacement order having been subsequently withdrawn, terminated or cancelled, and the Joint Representatives, in their sole discretion, conclude that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering.

Undertakings to the Hong Kong Stock Exchange pursuant to the Listing Rules

Undertakings by Us

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Listing Rules or pursuant to the Global Offering and the Over-allotment Option, no further shares or securities convertible into shares of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders have undertaken to us and to the Hong Kong Stock Exchange that, except pursuant to the Global Offering (including the Over-allotment Option, it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Hong Kong Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-month Period**"), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those shares or securities of the Company directly or indirectly beneficially owned by it; or

(b) in the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares or securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, it would cease to be our controlling shareholder (as defined in the Listing Rules).

In addition, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any of shares or of other share capital beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such shares or other securities so pledged or charged; and

(b) when it receives any indications, either verbal or written, from any pledgee or chargee of any of shares or of other securities pledged or charged that such shares or securities will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by the our Controlling Shareholder and announce such as soon as possible after being so informed by our Controlling Shareholder.

Undertakings to the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement

Undertakings by Us

Except for the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-Allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the "**First Six-Month Period**"), the Company has also undertaken to each of the Joint Representatives, the Joint Global Coordinators, the Hong Kong Underwriters and the Joint Sponsors not to, without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules (and only after the consent of any relevant PRC Authority (as defined under the Hong Kong Underwriting Agreement) (if so required) has been obtained):

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, 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 under the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any equity securities of the Company or any interest in any of the foregoing (including 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 such equity shares of the Company), or deposit any H Shares or other securities of the Company 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 subscription or ownership of any equity securities of the Company, or repurchase, any legal or beneficial interest in such equity securities of the Company 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 such equity securities of the Company, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or

(d) offer to or agree to do any of the foregoing or announce, or publicly disclose, any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b), (c) or (d) above is to be settled by delivery of such equity securities of the Company, or in cash or otherwise (whether or not the issue of such equity securities by the Company will be completed within the First Six-month Period). In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the "**Second Six-Month Period**"), the Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces, or publicly discloses, any intention to effect any such transaction, the Company undertakes to take all reasonable steps to ensure that such transactions, agreement, announcement or disclosure (as the case may be) will not, and no other act of the Company will, create a disorderly or false market for any such equity securities of the Company.

Indemnity

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, among others, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 65,000,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over allocations (if any) in the International Offering.

It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Commission and Expenses

The Hong Kong Underwriters will receive a gross underwriting commission of 2.0% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Representatives and the relevant International Underwriters (but not the Hong Kong Underwriters). The Company may also in its sole discretion pay the Hong Kong Underwriters an additional incentive fee of up to 1.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

The aggregate underwriting commissions payable to the Underwriters in relation to the Global Offering (assuming an Offer Price of HK$4.91 per Offer Share (being the mid-point of the indicative Offer Price range), the full payment of the discretionary incentive fee and the exercise of the Over-allotment Option in full) are expected to be approximately HK$85.6 million. Such commissions and fees are payable by our Company.

Assuming an Offer Price of HK$4.91 per H Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees (assuming the full payment discretionary incentive fee and no exercise of the Over-allotment Option), together with listing fees, SFC transaction levy, SFC transaction levy, Hong Kong 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$132.6 million in total.

The commission and expenses were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

HONG KONG UNDERWRITERS' INTERESTS IN THE COMPANY

Save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

JOINT SPONSORS' INDEPENDENCE

The Joint Sponsors satisfy the independence criteria set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in China and the U.S.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the "**Syndicate Members**") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the relevant rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering" in this prospectus. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares) whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to the Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

OVER-ALLOTMENT AND STABILIZATION

Details of the arrangements relating to the over-allotment option and stabilization are set forth in "Structure of the Global Offering."

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 43,334,000 Offer Shares (subject to reallocation as mentioned below) in Hong Kong as described below in "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 390,000,000 Offer Shares (subject to reallocation as mentioned below) outside the States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for the Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for the Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged registered share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed "Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in "The Hong Kong Public Offering – Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 43,334,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 2.5% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in "Conditions of the Hong Kong Public Offering" below.

Allocation

The total number of the 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: 21,667,000 Offer Shares for pool A and 21,667,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) or less.

The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate price of more than HK$5 million (excluding 1% brokerage, 0.0027% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of the Offer Shares from either pool A or pool B but not from both pools. In addition, multiple or suspected multiple applications and any application for more than 21,667,000 Offer Shares, being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

Allocation of the Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of the Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of the Hong Kong Offer Shares to certain percentages of the total number of the Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. In the event of over-applications, the Joint Representatives, in their sole and absolute discretion, shall apply a mechanism following the closing of the application lists on the following basis:

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of H Shares initially available under the Hong Kong Public Offering, then H Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 130,001,000 H Shares, representing 30% of the H Shares initially available under the Global Offering.

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the H Shares initially available under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 173,334,000 H Shares, representing 40% of the H Shares initially available under the Global Offering.

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 100 times or more of the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 216,667,000 H Shares, representing 50% of the H Shares initially available under the Global Offering. In each such case, the number of the H Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Representatives deem appropriate. In addition, the Joint Representatives may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Representatives have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$5.36 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in "Pricing of the Global Offering" below, is less than the maximum price of HK$5.36 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 390,000,000 Offer Shares to be offered by us.

Allocation

The International Offering will include selective marketing of the Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of the Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Representatives (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 Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Representatives have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 65,000,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.6% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of the 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 December 8, 2017, and in any event on or before December 14, 2017, by agreement between the Joint Representatives (for themselves and on behalf of the Underwriters) and the Company and the number of the Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$5.36 per H Share and is expected to be not less than HK$4.46 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Joint Representatives (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 prior written consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) Hong Kong Economic Times (in Chinese) and on the Hong Kong Stock Exchange's website notices of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range. Upon issue of a notice in the reduction of the Offer Price, the revised offer price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Representatives (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised offer price range. Applicants should have regard to the possibility that any announcement of any such reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice 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. If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application will be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the supplemental prospectus and all unconfirmed applications will not be valid. In the absence of any notice published in relation to the reduction in the Offer Price, the Offer Price, if agreed upon with our Company and the Joint Representatives (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 Representatives may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering and assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$1,849.2 million, assuming an Offer Price per H Share of HK$4.46, or approximately HK$2,225.5 million, assuming an Offer Price per H Share of HK$5.36 (or if the Over-allotment Option is exercised in full, approximately HK$2,128.9 million, assuming an Offer Price per H Share of HK$4.46, or approximately HK$2,561.7 million, assuming an Offer Price per H Share of HK$5.36).

The Offer Price for H Shares under the Global Offering is expected to be announced on December 14, 2017.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on December 14, 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of the Company at **www.hebjs.com.cn**.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, China International Capital Corporation Hong Kong Securities Limited, as Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the sole and absolute discretion of the Stabilizing Manager, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering.

The Stabilizing Manager, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;

(ii) in connection with any action described in paragraph (i) above:

  (A) (1) over-allocate the Offer Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

  (B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (A) above;

  (C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

  (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

The Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the day on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on January 7, 2018. After this date, when no further stabilization action may be taken, demand for the H Shares, and therefore their market price, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Representatives may over-allocate up to and not more than an aggregate of 65,000,000 additional H Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

The Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on December 15, 2017, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on December 15, 2017. Our H Shares will be traded in board lots of 500 H Shares each.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the Offer Shares to be issued or sold (including any additional Offer Shares that may be issued or sold pursuant to the exercise of the Overallotment Option) under the Global Offering; and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (for themselves and on behalf of the Underwriters), the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in "How to Apply for Hong Kong Offer Shares." In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** 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 Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** 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 the Company and/or any its subsidiaries;
- a Director, Supervisor or chief executive officer of the Company and/or any of its subsidiaries;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on December 5, 2017 till 12:00 noon on December 8, 2017 from:

(i) any of the following offices of the Hong Kong Underwriters:

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

Zhongtai International Securities Limited
7th Floor, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

ABCI Securities Company Limited
10/F, Agricultural Bank of China Tower,
50 Connaught Road Central
Hong Kong

CCB International Capital Limited
12/F., CCB Tower
3 Connaught Road Central
Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F One Exchange Square
Central
Hong Kong

(ii) any of the branches of the following receiving banks:

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	Causeway Bay Branch	505 Hennessy Road, Causeway Bay, Hong Kong
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
	Aberdeen Branch	25 Wu Pak Street, Aberdeen
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
	Whampoa Garden Branch	Shop G8B, Site 1, Whampoa Garden, Hung Hom
	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road, Sham Shui Po, Kowloon
New Territories	Tseung Kwan O Plaza Branch	Shop 112-125, Level 1, Tseung Kwan O Plaza, Tseung Kwan O
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun
	Sheung Shui Branch Securities Services Centre	136 San Fung Avenue, Sheung Shui

Wing Lung Bank Limited

	Branch Name	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	Kennedy Town Branch	28 Catchick Street
	North Point Branch	361 King's Road
	Aberdeen Branch	201 Aberdeen Main Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
	Lam Tin Sceneway Plaza Branch	Shop 59, 3/F Sceneway Plaza, 8 Sceneway Road
	To Kwa Wan Branch	64 To Kwa Wan Road
New Territories	Tsuen Wan Branch	251 Sha Tsui Road

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on December 5, 2017 till 12:00 noon on December 8, 2017 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 – HEBEI CONSTRUCTION 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:

Tuesday, December 5, 2017	–	9:00 a.m. to 5:00 p.m.
Wednesday, December 6, 2017	–	9:00 a.m. to 5:00 p.m.
Thursday, December 7, 2017	–	9:00 a.m. to 5:00 p.m.
Friday, December 8, 2017	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, December 8, 2017, the last application day or such later time as described in "10. 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 **HK eIPO White Form** service, among other things, you:

(i) **undertake** to execute all relevant documents and instruct and authorize the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the PRC Company Law and the Articles of Association;

(iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) **agree** that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, 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 the Company, our H Share Registrar, receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, 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 the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators 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 Form;

(x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) **agree** that your application will be governed by the laws of Hong Kong;

(xii) **represent**, **warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) **warrant** that the information you have provided is true and accurate;

(xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) **authorize** the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto 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 fulfill the criteria mentioned in the section "personal collection" to collect share certificate(s) and/or refund cheque(s);

(xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) **understand** that the Company and the Joint Representatives 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 **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in "2. Who Can Apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website at **www.hkeipo.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at **www.hkeipo.hk**, you authorize the **HK eIPO White Form** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** service at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, December 5, 2017 until 11:30 a.m. on Friday, December 8, 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, December 8, 2017 or such later time under the "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** 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 **HK eIPO White Form** 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 **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (852) 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

- declare that only one set of **electronic application instructions** has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;

- confirm that you understand that the Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's H Share register as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, 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 the Company, our H Share Registrar, receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, 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 the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong;

- agree with the Company, for itself and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of the Company (and so that the Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each Director, Supervisor, manager and other senior officer of the Company, with each CCASS Participant giving **electronic application instructions**):

  (a) to refer all differences and claims arising from the Articles of Association of the Company or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning the affairs of the Company to arbitration in accordance with the Articles of Association;

  (b) that any award made in such arbitration shall be final and conclusive; and

  (c) that the arbitration tribunal may conduct hearings in open sessions and publish its award;

- agree with the Company (for the Company itself and for the benefit of each Shareholder) that H Shares are freely transferable by their holders; and

- authorize the Company to enter into a contract on its behalf with each Director and officer of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Articles of Association.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 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

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, December 5, 2017 – 9:00 a.m. to 8:30 p.m. [(1)]

- Wednesday, December 6, 2017 – 8:00 a.m. to 8:30 p.m. [(1)]

- Thursday, December 7, 2017 – 8:00 a.m. to 8:30 p.m. [(1)]

- Friday, December 8, 2017 – 8:00 a.m.[1] to 12:00 noon

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, December 5, 2017 until 12:00 noon on Friday, December 8, 2017 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, December 8, 2017, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, 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 **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Representatives, 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 **HK eIPO White Form** 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/CASS 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 Friday, December 8, 2017 or such later time under the "10. Effect of Bad Weather on the Opening of the Application Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for 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 **HK eIPO White Form** service in respect of a minimum of 500 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 500 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.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see "Structure of the Global Offering – Pricing of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 8, 2017. 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 Friday, December 8, 2017 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 the section headed "Expected Timetable" of this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, December 14, 2017 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.hebjs.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk.**

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.hebjs.com.cn** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than Thursday, December 14, 2017;

- from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a "search by ID" function on a 24-hour basis from Thursday, December 14, 2017 to 12:00 midnight on Wednesday, December 20, 2017;

- by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, December 14, 2017 to Tuesday, December 19, 2017 on a business day (excluding Saturday and Sunday);

- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, December 14, 2017 to Monday, December 18, 2017 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or through the **HK eIPO White Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Representatives, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or

- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** 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;
- the Company or the Joint Representatives believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$5.36 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering – Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, December 14, 2017.

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 H 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 Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, December 14, 2017. 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 Friday, December 15, 2017 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section 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 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 Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 14, 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, December 14, 2017, 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 collection of your refund cheque(s). 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 Thursday, December 14, 2017, 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 Thursday, December 14, 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS participant (other than a CCASS investor participant)

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- If you are applying as a CCASS investor participant

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 14, 2017 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 HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 14, 2017, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of share certificates/e-Auto 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 Thursday, December 14, 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of 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 Thursday, December 14, 2017, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, December 14, 2017. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 14, 2017 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 Thursday, December 14, 2017. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 14, 2017.

15. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Hebei Construction Group Corporation Limited

China International Capital Corporation Hong Kong Securities Limited
CMB International Capital Limited

Dear Sirs,

We report on the historical financial information of Hebei Construction Group Corporation Limited (河北建設集團股份有限公司, the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-5 to I-17, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as of 31 December 2014, 2015 and 2016 and 30 June 2017 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-18 to I-114 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 5 December 2017 (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 preparation set out in note 2 to the Historical Financial Information, 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 preparation set out in note 2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as of 31 December 2014, 2015 and 2016 and 30 June 2017 and of the financial performance and cash flows of the Group for the Relevant Periods in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

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 and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 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 preparation set out in note 2 to the Historical Financial Information.

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-4 have been made.

Dividends

We refer to note 14 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong
5 December 2017

I. 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 the Hong Kong standards on Auditing issued by the HKICPA (the "**underlying Financial Statements**").

The Historical Financial Information is prepared 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 and Other Comprehensive Income

	Section II Notes	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CONTINUING OPERATIONS						
Revenue	6	24,859,136	27,215,650	38,609,402	18,589,800	20,027,602
Cost of sales		(24,115,444)	(26,199,569)	(36,726,588)	(17,906,565)	(18,961,027)
Gross profit		743,692	1,016,081	1,882,814	683,235	1,066,575
Other income and gains	6	193,554	188,182	201,751	114,431	115,249
Selling and distribution expenses		(20,135)	(13,238)	(65,955)	(19,404)	(23,170)
Administrative expenses		(238,489)	(252,293)	(325,698)	(180,262)	(212,240)
Other expenses		(78,406)	(59,523)	(212,882)	(60,520)	(160,294)
Finance costs	7	(121,920)	(186,476)	(230,343)	(142,920)	(104,726)
Share of profit and loss of: associates		(6,366)	19,242	58,264	38,885	(208)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	8	471,930	711,975	1,307,951	433,445	681,186
Income tax expense	11	(112,528)	(168,926)	(257,220)	(104,936)	(208,321)
PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATIONS		359,402	543,049	1,050,731	328,509	472,865
DISCONTINUED OPERATIONS						
(Loss)/profit for the year/period from discontinued operations	12	(8,091)	(132,816)	(237,128)	(28,578)	26,722
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		351,311	410,233	813,603	299,931	499,587

	Section II	Year ended 31 December			Six months ended 30 June	
	Notes	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Attributable to:						
Owners of the parent	*13*	358,486	406,277	768,178	283,746	503,236
Non-controlling interests		(7,175)	3,956	45,425	16,185	(3,649)
		351,311	410,233	813,603	299,931	499,587
Earnings per share attributable to ordinary equity holders of the parent:						
Basic and diluted (expressed in RMB per share)	*15*					
– For profit for the year/period		0.46	0.34	0.64	0.24	0.39
– For profit from continuing operations		0.46	0.45	0.85	0.27	0.37

(B) Consolidated Statements of Financial Position

	Section II Notes	As of 31 December 2014	As of 31 December 2015	As of 31 December 2016	As at 30 June 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*16*	346,142	390,705	369,149	378,139
Investment properties	*17*	171,762	174,003	133,370	133,775
Prepaid land lease payments	*18*	84,407	65,086	37,397	37,023
Investments in associates	*19*	554,096	611,541	79,091	78,883
Available-for-sale investments	*21*	242,400	242,400	148,500	188,500
Deferred tax assets	*22*	110,736	117,467	250,219	252,105
Trade receivables	*28*	599,703	542,482	506,404	455,992
Receivables under service concession arrangements	*23*	151,222	302,499	–	–
Total non-current assets		2,260,468	2,446,183	1,524,130	1,524,417
CURRENT ASSETS					
Prepaid land lease payments	*18*	1,683	1,466	824	799
Inventories	*24*	185,945	201,038	167,883	83,546
Amounts due from contract customers	*25*	24,097,279	25,632,313	27,706,939	26,847,128
Properties under development	*26*	2,372,622	3,182,608	3,604,501	3,164,085
Completed properties held for sale	*27*	596,081	773,463	816,426	1,457,462
Trade and bills receivables	*28*	6,125,997	9,798,850	10,777,375	10,684,635
Prepayments, deposits and other receivables	*29*	4,946,340	5,767,976	6,666,539	7,741,575
Pledged deposits	*30*	1,088,268	1,581,644	1,004,991	690,163
Cash and cash equivalents	*30*	1,602,464	2,757,158	4,668,807	3,429,916
		41,016,679	49,696,516	55,414,285	54,099,309
Assets of disposal groups classified as held for sale	*12*	–	–	4,468,577	–
Total current assets		41,016,679	49,696,516	59,882,862	54,099,309

	Section II Notes	As of 31 December 2014	2015	2016	As at 30 June 2017
		RMB'000	RMB'000	RMB'000	RMB'000
CURRENT LIABILITIES					
Trade and bills payables	31	27,932,783	33,852,662	40,291,307	38,325,579
Amounts due to contract customers	25	3,557,583	4,945,973	2,810,472	3,077,667
Other payables, advances from customers and accruals	32	4,858,322	5,485,611	7,703,676	7,559,778
Interest-bearing bank and other borrowings	33	3,486,779	3,981,997	3,316,260	1,769,160
Tax payable		206,123	208,394	396,049	407,352
Financial guarantee contracts	37	3,737	6,836	20,104	15,529
		40,045,327	48,481,473	54,537,868	51,155,065
Liabilities directly associated with the assets classified as held for sale	12	–	–	3,239,166	–
Total current liabilities		40,045,327	48,481,473	57,777,034	51,155,065
NET CURRENT ASSETS		971,352	1,215,043	2,105,828	2,944,244
TOTAL ASSETS LESS CURRENT LIABILITIES		3,231,820	3,661,226	3,629,958	4,468,661
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	33	1,285,695	1,489,457	540,280	2,000,330
Total non-current liabilities		1,285,695	1,489,457	540,280	2,000,330
Net assets		1,946,125	2,171,769	3,089,678	2,468,331
EQUITY					
Equity attributable to owners of the parent					
Share capital	34	1,200,000	1,200,000	1,200,000	1,300,000
Reserves	35	650,630	880,907	1,634,235	986,071
		1,850,630	2,080,907	2,834,235	2,286,071
Non-controlling interests		95,495	90,862	255,443	182,260
Total equity		1,946,125	2,171,769	3,089,678	2,468,331

(C) Consolidated Statements of Changes in Equity

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Special reserve*/**	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000* *(Note 35)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2014	550,000	–	–	129,389	466,755	1,146,144	61,102	1,207,246
Profit/(loss) and total comprehensive income /(loss)for the year	–	–	–	–	358,486	358,486	(7,175)	351,311
Appropriation to statutory surplus reserve	–	–	–	42,756	(42,756)	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(170)	(170)
Dividends declared and paid	–	–	–	–	(304,000)	(304,000)	–	(304,000)
Disposal of a subsidiary	–	–	–	–	–	–	(5,462)	(5,462)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	47,200	47,200
Capital contribution by shareholders of the Company	650,000	–	–	–	–	650,000	–	650,000
Transfer to special reserve	–	–	473,060	–	(473,060)	–	–	–
Utilisation of special reserve	–	–	(473,060)	–	473,060	–	–	–
As at 31 December 2014 and 1 January 2015	1,200,000	–	–	172,145	478,485	1,850,630	95,495	1,946,125
Profit and total comprehensive income for the year	–	–	–	–	406,277	406,277	3,956	410,233
Appropriation to statutory surplus reserve	–	–	–	46,983	(46,983)	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	(1,039)	(1,039)
Dividends declared and paid	–	–	–	–	(176,000)	(176,000)	–	(176,000)
Acquisition of non-controlling interests	–	–	–	–	–	–	(20,000)	(20,000)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	12,450	12,450
Transfer to special reserve	–	–	510,056	–	(510,056)	–	–	–
Utilisation of special reserve	–	–	(510,056)	–	510,056	–	–	–
As at 31 December 2015 and 1 January 2016	1,200,000	–	–	219,128	661,779	2,080,907	90,862	2,171,769
Profit and total comprehensive income for the year	–	–	–	–	768,178	768,178	45,425	813,603
Disposal of a subsidiary	–	–	–	–	–	–	(3,373)	(3,373)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	122,529	122,529
Appropriation to statutory surplus reserve	–	–	–	109,429	(109,429)	–	–	–
Dividends declared and paid	–	–	–	–	(14,850)	(14,850)	–	(14,850)
Transfer to special reserve	–	–	726,061	–	(726,061)	–	–	–
Utilisation of special reserve	–	–	(726,061)	–	726,061	–	–	–

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Special reserve*/**	Statutory surplus reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000 (Note 35)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2015 and 1 January 2016	1,200,000	–	–	219,128	661,779	2,080,907	90,862	2,171,769
Profit and total comprehensive income for the period	–	–	–	–	283,746	283,746	16,185	299,931
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	1,601	1,601
Appropriation to statutory surplus reserve	–	–	–	44,077	(44,077)	–	–	–
Dividends declared and paid	–	–	–	–	(14,850)	(14,850)	–	(14,850)
Transfer to special reserve	–	–	382,134	–	(382,134)	–	–	–
Utilisation of special reserve	–	–	(382,134)	–	382,134	–	–	–
As at 30 June 2016	1,200,000	–	–	263,205	886,598	2,349,803	108,648	2,458,451
As at 31 December 2016 and 1 January 2017	1,200,000	–	–	328,557	1,305,678	2,834,235	255,443	3,089,678
Profit and total comprehensive income for the period	–	–	–	–	503,236	503,236	(3,649)	499,587
Contribution by non-controlling interests through acquisition	–	–	–	–	–	–	9,800	9,800
Disposal of discontinued operations	–	–	–	–	–	–	(93,862)	(93,862)
Capital contribution by shareholders of the Company	100,000	–	–	–	–	100,000	–	100,000
Acquisition of non-controlling interests	–	–	–	–	–	–	(2,000)	(2,000)
Capital contribution by non-controlling shareholders	–	–	–	–	–	–	20,000	20,000
Appropriation to statutory surplus reserve	–	–	–	70,385	(70,385)	–	–	–
Dividends declared	–	–	–	–	(1,151,400)	(1,151,400)	(3,472)	(1,154,872)
Capitalisation of retained profits and statutory surplus reverse *(Note 35)*	–	254,254	–	(253,511)	(743)	–	–	–
Transfer to special reserve	–	–	385,139	–	(385,139)	–	–	–
Utilisation of special reserve	–	–	(385,139)	–	385,139	–	–	–
As at 30 June 2017	1,300,000	254,254	–	145,431	586,386	2,286,071	182,260	2,468,331

* As of 31 December 2014, 2015 and 2016 and 30 June 2017, these reserve accounts comprise the consolidated reserves of RMB650,630,000, RMB880,907,000, RMB1,634,235,000 and RMB986,071,000, respectively, in the consolidated statements of financial position.

** In preparation of the Financial Information, the Group has appropriated certain amount of retained profits to a special reserve fund for the three years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, 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) Consolidated Statements of Cash Flows

	Section II	Year ended 31 December			Six months ended 30 June	
	Notes	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before tax:						
from continuing operations		471,930	711,975	1,307,951	433,445	681,186
from discontinued operations	*12(a)*	562	(120,608)	(214,743)	(18,977)	35,630
Adjustments for:						
Finance costs		130,114	187,884	233,755	146,035	104,726
Share of profits and losses of associates		6,366	(19,242)	(58,264)	(38,885)	208
Dividend income from available-for-sale investments		(20,073)	(21,206)	(13,997)	–	(309)
Interest income		(141,057)	(130,239)	(171,403)	(113,970)	(67,688)
Gain on disposal of subsidiaries	*36*	(22,316)	–	(7,946)	(28)	–
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		–	–	–	–	(58,304)
Recognition of financial guarantee contracts	*37*	3,676	3,099	13,268	9,022	(4,575)
Changes in fair value of investment properties	*17*	(1,893)	(2,241)	161	(11)	(405)
Depreciation of items of property, plant and equipment	*16*	55,415	58,782	51,321	24,634	31,422
Amortisation of prepaid land lease payments	*18*	1,550	1,466	1,003	656	399
Impairment of trade receivables	*28*	46,588	47,597	116,255	45,681	74,542
Impairment of deposits and other receivables	*29*	28,014	7,336	10,776	1,810	83,802
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments		(622)	(33,353)	(6,558)	(150)	(21,957)
		558,254	691,250	1,261,579	489,262	858,677

	Section II Notes	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Increase)/decrease in inventories		(94,352)	(16,542)	(33,501)	(446,288)	84,337
(Increase)/decrease in amounts due from contract customers		(4,553,591)	(1,535,034)	(2,791,786)	761,226	859,811
(Decrease)/increase in amounts due to contract customers		(82,832)	1,388,390	(1,931,264)	(1,860,464)	267,195
(Increase)/decrease in properties under development		(1,324,931)	(809,986)	(421,893)	401,823	440,416
Increase in completed properties held for sale		(148,951)	(177,382)	(42,963)	(683,999)	(641,036)
(Increase)/decrease in trade and bills receivables		(2,898,787)	(3,622,366)	(1,810,039)	(4,148,468)	102,055
Increase in receivables under service concession arrangements		(134,012)	(151,277)	(1,139,795)	(576,671)	–
Decrease/(increase) in prepayments, deposits and other receivables		219,093	(827,399)	(982,390)	(608,867)	(1,855,922)
Increase/(decrease) in trade and bills payables		6,985,416	5,919,879	7,590,835	5,314,270	(1,965,728)
(Decrease)/increase in other payables and accruals		(488,126)	701	1,486,062	1,523,911	(27,931)
Increase/(decrease) in advances from customers		758,536	559,823	1,397,249	1,397,249	(53,375)
(Increase)/decrease in pledged deposits		(431,822)	(81,876)	(84,847)	(343,813)	314,828
Cash (used in)/generated from operations		(1,636,105)	1,338,181	2,497,247	1,219,171	(1,616,673)
Income tax paid		(121,318)	(196,978)	(235,676)	(169,334)	(222,820)
Net cash flows (used in)/generated from operating activities		(1,757,423)	1,141,203	2,261,571	1,049,837	(1,839,493)

	Section II	Year ended 31 December			Six months ended 30 June	
	Notes	2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		125,647	89,376	144,893	73,025	34,238
Dividends received from investments in associate		20,637	6,356	16,347	–	309
Payments for acquisition of items of property, plant and equipment		(134,400)	(122,932)	(170,915)	(111,755)	(55,938)
Payments for acquisition of prepaid land lease payments		(8,844)	–	–	–	–
Addition of investments in associates		(70,839)	(38,203)	(47,242)	(42,911)	–
Advance of loans to associates and joint venture		(165,000)	(11,500)	(6,200)	(3,000)	(51,500)
Repayment of loans to associates and joint venture		–	24,961	30,000	–	180,039
Proceeds from disposal of items of property, plant and equipment, and prepaid land lease payments		8,665	70,075	15,108	6,212	37,487
Proceeds from disposal of subsidiaries, net of cash	36	1,335	–	17,978	28	–
Proceeds from disposal of available-for-sale investments		–	–	1,500	–	–
Proceeds from disposal of assets and liabilities of disposal groups classified as held for sale, net of cash		–	–	–	–	1,242,621
Proceeds from disposal of associates		–	–	5,000	4,627	–
Net cash flows (used in)/generated from investing activities		(222,799)	18,133	6,469	(73,774)	1,387,256

	Section II Notes	Year ended 31 December 2014	2015	2016	Six months ended 30 June 2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid		(122,804)	(133,173)	(184,938)	(142,920)	(217,150)
Additions of interest-bearing bank and other borrowings		4,770,414	4,224,457	4,109,200	782,401	2,788,769
Repayment of interest-bearing bank and other borrowings		(2,984,466)	(3,525,477)	(4,561,844)	(2,851,153)	(2,875,819)
Dividends paid to shareholders		(304,000)	(176,000)	(14,850)	(14,850)	(1,031,400)
Dividends paid to non-controlling shareholders		(170)	(1,039)	–	–	(3,472)
Loans from related parties		140,850	26,850	8,040	7,380	–
Repayment of loans from related parties		(152,950)	(1,210)	(1,240)	(1,240)	(58,960)
Capital contribution by non-controlling shareholders		47,200	12,450	122,529	1,601	20,000
Capital contribution by shareholders of the Company	34	650,000	–	–	–	100,000
Acquisition of non-controlling interests		–	(20,000)	–	–	(2,000)
Prepayment of listing expenses		–	–	–	–	(1,410)
Restricted cash as guarantee for bank borrowings		–	(411,500)	661,500	224,910	–
Net cash flows generated from/(used in) financing activities		2,044,074	(4,642)	138,397	(1,993,871)	(1,281,442)

	Section II	Year ended 31 December			Six months ended 30 June	
	Notes	2014	2015	2016	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**63,852**	**1,154,694**	**2,406,437**	**(1,017,808)**	**(1,733,679)**
Cash and cash equivalents at beginning of year/period		1,538,612	1,602,464	2,757,158	2,757,158	5,163,595
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		**1,602,464**	**2,757,158**	**5,163,595**	**1,739,350**	**3,429,916**
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and cash equivalents as stated in the statement of financial position		1,602,464	2,757,158	4,668,807	1,739,350	3,429,916
Cash and bank balances attributable to assets of disposal groups classified as held for sale	12c	–	–	494,788	–	–
Cash and cash equivalents as stated in the statement of cash flows		1,602,464	2,757,158	5,163,595	1,739,350	3,429,916

(E) Statements of Financial Position of the Company

	Section II	As of 31 December			As at 30 June
	Notes	2014	2015	2016	2017
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	16	163,428	129,045	130,541	120,734
Investment properties	17	171,762	174,003	133,370	133,775
Prepaid land lease payments	18	28,913	10,636	776	801
Investments in subsidiaries	20	1,273,222	1,361,181	1,567,638	1,235,334
Investments in associates	19	504,775	556,501	29,044	29,029
Deferred tax assets	22	64,369	67,682	118,253	83,729
Trade receivables	28	558,191	518,444	484,038	437,204
Available-for-sale investments	21	238,550	238,550	148,500	188,500
Total non-current assets		3,003,210	3,056,042	2,612,160	2,229,106
CURRENT ASSETS					
Prepaid land lease payments	18	205	205	25	–
Inventories	24	101,176	66,472	64,016	74,408
Amounts due from contract customers	25	18,101,498	19,902,882	22,986,729	21,450,221
Trade and bills receivables	28	4,283,515	6,681,139	7,653,951	6,246,646
Prepayments, deposits and other receivables	29	6,381,448	6,751,021	6,085,476	7,032,118
Pledged deposits	30	904,582	1,258,680	745,179	511,476
Cash and cash equivalents	30	1,001,697	1,949,459	3,684,966	2,209,270
		30,774,121	36,609,858	41,220,342	37,524,139
Assets of a disposal group classified as held for sale	12	–	–	807,997	–
Total current assets		30,774,121	36,609,858	42,028,339	37,524,139

	Section II Notes	As of 31 December 2014	As of 31 December 2015	As of 31 December 2016	As at 30 June 2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES					
Trade and bills payables	*31*	21,887,529	25,594,567	32,424,617	28,680,042
Amounts due to contract customers	*25*	2,393,779	3,448,918	2,223,653	2,242,523
Other payables, advances from customers and accruals	*32*	4,122,248	4,738,475	3,704,728	4,252,522
Interest-bearing bank and other borrowings	*33*	2,464,191	2,986,270	2,523,013	1,270,700
Tax payable		162,292	190,772	404,391	663,915
Financial guarantee contract	*37*	158,505	151,834	250,267	19,272
		31,188,544	37,110,836	41,530,669	37,128,974
Liabilities of a disposal group classified as held for sale	*12*	–	–	100,019	–
Total current liabilities		31,188,544	37,110,836	41,630,688	37,128,974
NET CURRENT (LIABILITIES)/ASSETS		(414,423)	(500,978)	397,651	395,165
TOTAL ASSETS LESS CURRENT LIABILITIES		2,588,787	2,555,064	3,009,811	2,624,271
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*33*	850,000	670,000	298,000	–
Total non-current liabilities		850,000	670,000	298,000	–
Net assets		1,738,787	1,885,064	2,711,811	2,624,271
EQUITY					
Share capital	*34*	1,200,000	1,200,000	1,200,000	1,300,000
Reserves	*35*	538,787	685,064	1,511,811	1,324,271
Total equity		1,738,787	1,885,064	2,711,811	2,624,271

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China (the "**PRC**"). The registered office address of the Company is located at No.139 West Wusi Road, Baoding, the PRC.

During the Relevant Periods, the Group's principal activities were as follows:

- Construction contracting
- Property development and other businesses

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Zhongru Investment Co., Ltd.

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of the major subsidiaries are set out below:

Name	Place and date of incorporation/ registration and place of operations	Share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Hebei Construction Group Tianchen Construction Engineering Co., Ltd ("**河北建設集團天辰建築工程有限公司**")*Note (2)*	The PRC/ Mainland China December 1997	RMB230,000,000	87	13	Construction contracting
Zhongcheng Real Estate Development Co., Ltd. ("**中誠房地產開發股份有限公司**")*Note (1)*	The PRC/ Mainland China August 1992	RMB200,000,000	90	10	Property development
Hebei Construction Group Installment Engineering Co., Ltd. ("**河北建設集團安裝工程有限公司**")*Note (1)*	The PRC/ Mainland China August 2004	RMB180,000,000	61	39	Construction contracting
Chengdu New Era Tiancheng Properties Co., Ltd. ("**成都新時代天誠置業有限公司**")*Note (4)*	The PRC/Mainland China December 2011	RMB120,000,000	100	–	Property development
Hebei Construction Group Road and Bridge Engineering Co., Ltd. ("**河北建設集團卓誠路橋工程有限公司**")*Note (2)*	The PRC/ Mainland China January 1998	RMB105,000,000	52	48	Highway construction, municipal public works and housing construction
Huailai Zhongcheng Real Estate Development Co., Ltd. ("**懷來中誠房地產開發有限公司**")*Note (7)*	The PRC/ Mainland China December 2013	RMB100,000,000	–	64	Property development

Name	Place and date of incorporation/ registration and place of operations	Share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Baoding Tiane Real Estate Development Co., Ltd (“**保定天鵝房地產開發有限公司**”)*Note (8)*	The PRC/ Mainland China December 2016	RMB100,000,000	66	–	Property development, and housing agency service
Baoding Zhongcheng Investment Management Co., Ltd. (“**保定中誠投資管理有限公司**”)*Note (1)*	The PRC/ Mainland China September 2007	RMB69,000,000	100	–	Property development and management
Hebei Construction Group Decoration Engineering Co., Ltd. (“**河北建設集團裝飾工程有限公司**”)*Note (2)*	The PRC/ Mainland China January 1998	RMB68,000,000	100	–	Construction contracting
Guangan Zhongcheng Real Estate Development Co., Ltd. (“**廣安中誠房地產開發有限公司**”)*Note (4)*	The PRC/ Mainland China January 2014	RMB50,000,000	–	100	Property development
Luanping Zhongcheng Real Estate Development Co., Ltd. (“**灤平中誠房地產開發有限公司**”)*Note (5)*	The PRC/ Mainland China April 2009	RMB50,000,000	–	51	Property development
Hebei Tuowei Investment Co., Ltd (“**河北拓維投資股份公司**”) *Note (8)*	The PRC/ Mainland China August 2015	RMB21,000,000	62	38	Construction contracting
Baoding Chengze Real Estate Development Co., Ltd. (“**保定市誠澤房地產開發有限公司**”)*Note (3)*	The PRC/ Mainland China July 2016	RMB15,210,000	–	51	Property development
Yucai Network Technology Co., Ltd (“**雲采網絡技術有限公司**”) *Note (8)*	The PRC/ Mainland China November 2015	RMB10,000,000	60	–	Construction related software development
Yixian Chengji Real Estate Development Co., Ltd. (“**易縣盛基房地產開發有限公司**”)*Note (9)*	The PRC/ Mainland China April 2014	RMB10,000,000	–	51	Property development

Name	Place and date of incorporation/ registration and place of operations	Share capital	Percentage of equity attributable to the Company: Direct	Percentage of equity attributable to the Company: Indirect	Principal activities
Baoding Taiji Real Estate Development Co., Ltd. ("**保定市泰基房地產開發有限公司**") *Note (1)*	The PRC/ Mainland China April 2012	RMB5,000,000	–	85	Property development
Hebei Guangsha Property Management Co., Ltd. ("**河北廣廈物業服務有限公司**") *Note (1)*	The PRC/ Mainland China July 2003	RMB3,000,000	–	100	Property management services
Hebei Construction Group Wuhu Baojian Construction Co., Ltd. ("**河北建設集團蕪湖寶建建設有限公司**") *Note (10)*	The PRC/ Mainland China December 2010	RMB1,000,000	–	100	Construction contracting
Hebei Ancheng Real Estate Broker Co., Ltd ("**河北安誠房產經紀有限公司**") *Note (8)*	The PRC/ Mainland China August 2016	RMB150,000	–	95	Property agent service
Xian Zhongyuan Real Estate Development Co., Ltd ("**西安中遠房地產開發有限公司**") *Note (6)*	The PRC/ Mainland China August 2015	–	80	–	Property investment

* The English names of the companies registered in the PRC represent the best efforts of the management of the Company in directly translating the Chinese names of the companies as no English names have been registered.

Notes:

1) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 prepared under China Accounting Standards for Business Enterprises ("**PRC GAAP**") were audited by Zhong Xing Cai Guang Hua Certified Public Accountants (中興財光華會計師事務所), certified public accountants registered in the PRC.

2) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 prepared under PRC GAAP were audited by Zheng He Xin Certified Public Accountants (正和信會計師事務所), certified public accountants registered in the PRC.

3) The statutory financial statements of this subsidiary from the date of incorporation to 31 December 2016 prepared under PRC GAAP were audited by Jia He Certified Public Accountants (佳和會計師事務所), certified public accountants registered in the PRC.

4) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 prepared under PRC GAAP were audited by Sichuan Qin Li Certified Public Accountants (四川勤力會計師事務所), certified public accountants registered in the PRC.

5) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 prepared under PRC GAAP were audited by Hebei Hong Tai Certified Public Accountants (河北宏泰會計師事務所), certified public accountants registered in the PRC.

6) The statutory financial statements of these entities for the year ended 31 December 2016 prepared under PRC GAAP were audited by Shanxi Cheng Yue Certified Public Accountants (陝西誠悦會計師事務所), certified public accountants registered in the PRC.

7) The statutory financial statements of these entities for the years ended 31 December 2014, 2015 and 2016 prepared under PRC GAAP were audited by Zhangjiakou Zheng Xin Certified Public Accountants (張家口正信會計師事務所), certified public accountants registered in the PRC.

8) The statutory financial statements of this subsidiary for the year ended 31 December 2016 prepared under PRC GAAP were audited by Zhong Xing Cai Guang Hua Certified Public Accountants (中興財光華會計師事務所), certified public accountants registered in the PRC.

9) The statutory financial statements of these entities for the years ended 31 December 2015 and 2016 prepared under PRC GAAP were audited by Baoding Zhong Xin Certified Public Accountants (保定眾信會計師事務所), certified public accountants registered in the PRC.

10) No statutory accounts have been prepared for this subsidiary during the Relevant Periods as there is no statutory requirement for the company to prepare audited financial statements.

2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2017, 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 Historical Financial Information has been prepared under the historical cost convention, except for investment properties which have been measured at fair value and financial guarantee contracts, which have been recognised initially at fair value. Disposal groups held for sale are stated at the lower of their carrying amounts and fair values less costs to sell as further explained in Note 3.2.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods. 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 period 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. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of single coordinated plan to dispose of a separate major line of business or geographical area of operations, or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned. When an operations is classified as discontinued, a single amount is presented on the face of the consolidated statements of profit or loss and other comprehensive income, which comprises comparative information for prior periods presented so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest periods presented.

In November 2016, the Group decided to dispose 1) the entire interests in subsidiaries engaged in the water treatment and distribution facilities services, construction labour services and other non-core businesses (Collectively, "Disposal Group One"); and 2) the entire interests in Hebei Construction Group Liaoning Engineering Co., Ltd. to third parties; the Company also decided to dispose of entire interests in Zhongwei Construction Engineering Co., Ltd. and certain of its assets and liabilities to Zhongming Zhiye Co., Ltd., a subsidiary of the Company established in December 2016, which was disposed to the Company's shareholder in 2017, (Collectively, "Disposal Group Two"). The reason for the disposal is to delineate other businesses operated by the Group from its principal business and optimize the construction business. The disposal of Disposal Group One and Disposal Group Two were not completed as at 31 December 2016.

In accordance with IFRS5 *Noncurrent Assets Held for Sale and Discontinued Operations*, 1) the Disposal Group One was classified as a discontinued operation and the operating results of the Disposal Group One has been presented as a discontinued operation in the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2016. The consolidated statements of profit or loss and other comprehensive income and the related notes for the years ended 31 December 2014 and 2015 have been restated to reflect the classification between continuing operations and the discontinued operation accordingly. The Group reclassified the assets and liabilities of Disposal Group One as held for sale in the consolidated statement of financial position as at 31 December 2016 and did not reclassify the assets and liabilities for prior periods; 2) the Disposal Group Two was classified as a disposal group held for sale and relevant assets and liabilities were reclassified as held for sale in the consolidated statement of financial position as at 31 December 2016 and the assets and liabilities for prior periods were not reclassified.

Details of the discontinued operation are disclosed in Note 12 of this section.

3.1 ISSUED BUT NOT YET EFFECTIVE IFRSS

The Group has not applied the following new and revised IFRSs and IFRIC interpretation, that have been issued but are not yet effective, in the Historical Financial Information:

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*[1]
IFRS 9	*Financial Instruments*[1]
Amendments to IFRS 10, and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*[1]
IFRS 16	*Leases*[2]
IFRIC Interpretation 22	*Foreign Currency Transactions and Advance Consideration*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[2]
Amendments to IAS 40	*Transfers of Investment Property*[1]
Annual Improvements 2014-2016 Cycle	*Amendments to a number of IFRSs*[1]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 No mandatory effective date yet determined but is available for adoption.

Further information about those IFRSs that are expected to be applicable to the Group is as follows:

IFRS 15 established a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. In April 2016, the IASB issued amendments to IFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt IFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt IFRS 15 on 1 January 2018.

The directors of the Company consider that the requirements to recognise revenue over the time under IFRS 15 is similar to the current revenue recognition policy on construction contracts of the Group.

For construction contract, based on the preliminary analysis, the Group do not expect the initial adoption of IFRS 15 would result in significant impact on the amounts reported on the financial statements of the Group if the Group recognises the contracting revenue over time by using the cost-based input methods. However, there will be additional qualitative and quantitative disclosures upon the adoption of IFRS 15.

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 standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees––leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payment (i.e., the lease liability) and asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases.

Total operating lease commitments of the Group as of 31 December 2014, 2015 and 2016 and 30 June 2017 amounting to RMB33,504,000, RMB28,313,000, RMB23,017,000 and RMB15,603,000, respectively as disclosed in Note 41 under Section II of this report. The Directors do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in a significant impact on the Group's financial position and performance but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statements of financial position as right-of-use assets and lease liabilities.

Other than the above, the other new and revised IFRSs, amendments to IFRSs and IFRIC interpretation are not anticipated to have any significant impact on the Group's existing accounting policies and presentation of the Historical Financial Information.

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement 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 of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as of 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and financial guarantee contracts at fair value at the end of each reporting period. 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 financial statements 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 reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/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 of profit or loss in the period 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 reporting period 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 profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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; (If the Group is itself such a plan) and the sponsoring employers of the post-employment benefit plan;

(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 the 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 profit or loss in the period 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:

Categories:	
Buildings	3.3% to 5%
Plant and machinery	10% to 25%
Office equipment and others	20% to 33.3%
Motor vehicles	12.5% to 25%

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 profit or loss in the year the asset is 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 and capitalised borrowing costs on related borrowed funds during the period 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 the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the 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 profit or loss in the year of the retirement or disposal.

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

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, and other costs directly attributable to such properties incurred during the development period and net realisable value.

Properties under development are classified as current assets unless those will not be realised in the 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 statement 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.

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.

Service concession arrangements

Consideration given by the grantor

A financial asset (receivable under a service concession arrangement) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered and/or the consideration paid and payable by the Group for the right to charge users of the public service; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts received from users of the public service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under a service concession arrangement) is accounted for in accordance with the policy set out for loans and receivables under "**Investments and other financial assets**" below.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "**Construction contracts**" below.

Operating services

Revenue relating to operating services is accounted for in accordance with the policy for "**Revenue recognition**" below. Costs for operating services are expensed in the period in which they are incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge as appropriate. 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 profit or loss. The loss arising from impairment is recognised in 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 unlisted equity investments. 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 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 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 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.

Derecognition of financial assets

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 statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the 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.

Impairment of financial assets

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 profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued 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 profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

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 profit or loss, is removed from other comprehensive income and recognised in 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 profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through 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.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings.

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

The Group's financial liabilities include trade and bills payables, interest-bearing bank and other borrowings and other payables.

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 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 profit or loss.

Financial guarantee contracts

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

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 profit or loss.

Offsetting of financial instruments

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 and in the case of work-in-progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. 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 statement 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 statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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 the reporting period 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 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 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 the reporting period, 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 the reporting period 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:

- when 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, 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:

- when 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, 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 reporting 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 utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period 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 period 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 the reporting period.

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

Government grants

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "**Construction contracts**" below;

(c) from the rendering of services, on the percentage of completion basis, as further explained in the accounting policy for "**Contracts for services**" below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, 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; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labor and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labor and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period 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 period 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

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Employee benefits

Social pension plans

The Group has the social pension plans for its employees arranged by local government labor 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 obligations 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.

Production safety expenses

Production safety expenses accrued based on the Production Safety Law of the People's Republic of China shall be provided in retained profits for the current period, and recorded as a fund in the special reserve. When the expenditures are utilised as expenses, they should be recognised in profit or loss and offset against the special reserve; when the expenditures incurred relate to fixed assets, they shall be recognised in the cost of fixed assets, which will be recognised when it is ready for use. The same amount as the expenditure will be offset against the special reserve and recorded as accumulated depreciation equivalent at the same time.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the 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.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Percentage of completion of construction and service works

Revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts and is recognised using the percentage of completion method, 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 contract revenue, contract costs and variation orders, 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 contractors, 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.

Estimation of total budgeted costs and cost to completion for construction contracting and contracts for services

Total budgeted costs for construction contracting and contracts for services comprise (i) direct material costs and direct labor, (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 contracts for 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) professional estimation on material costs, labor costs and other costs.

Deferred tax assets

Deferred tax assets relating to certain deductible temporary differences are recognised as management considers it is probable that future taxable profits will be available against which the unused temporary differences or unused tax losses can be utilised. The realisation of the deferred tax assets mainly depends on whether sufficient future taxable profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

PRC land appreciation tax ("**LAT**")

The Group is subject to LAT in the PRC. 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 its property development projects. When the final outcome is determined, it may be different from the amounts that were initially recorded, and any differences will affect the current income tax expense and LAT provision in the period in which LAT is ascertained.

Impairment of trade receivables

The Group maintains an allowance for estimated losses arising from the inability of its customers to make the required payments. The Group makes its estimates based on the ageing of its trade receivable balances, customers' creditworthiness, and historical write-off experience. If the financial condition of its customers deteriorates such that the actual impairment loss might be higher than expected, the Group would be required to revise the basis for making the allowance and its future results would be affected.

Estimation on the fair value of investment properties

Investment properties, including completed investment properties, 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 each reporting date.

5. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has two reportable operating segments as follows:

(a) Construction contracting – this segment engages in the provision of services relating to construction contracting as a general contractor for building construction projects and infrastructure construction projects;

(b) Others – this segment engages in the provision of property development, property management and other services.

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 or loss, which is a measure of adjusted profit or loss before tax from continuing operations. The adjusted profit or loss before tax from continuing operations is measured consistently with the Group's profit 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 2014	Construction contracting	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	24,720,126	139,010	24,859,136
Intersegment sales – continuing	321,187	–	321,187
Intersegment sales – discontinued	56,189	–	56,189
Total revenue	25,097,502	139,010	25,236,512
Reconciliation:			
Elimination of intersegment sales – continuing			(321,187)
Elimination of intersegment sales – discontinued			(56,189)
Revenue from continuing operations			24,859,136
Segment results	524,287	2,821	527,108
Reconciliation:			
Elimination of intersegment results – continuing			(71,982)
Elimination of intersegment results – discontinued			16,804
Profit before tax from continuing operations			471,930
Segment assets	46,527,615	6,033,527	52,561,142
Reconciliation:			
Elimination of intersegment receivables			(9,283,995)
Total assets			43,277,147
Segment liabilities	43,613,889	5,005,247	48,619,136
Reconciliation:			
Elimination of intersegment payables			(7,288,114)
Total liabilities			41,331,022
Other segment information:			
Depreciation	43,761	1,475	45,236
Amortisation	205	1,545	1,750
Provision for impairment of trade receivables, deposits and other receivables	69,644	85	69,729
Share of profit and loss of associates	7,044	(678)	6,366
Capital expenditure*	38,842	104,402	143,244

Year ended **31 December 2015**	**Construction contracting**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	26,659,261	556,389	27,215,650
Intersegment sales – continuing	512,672	30	512,702
Intersegment sales – discontinued	70,351	–	70,351
Total revenue	27,242,284	556,419	27,798,703
Reconciliation:			
Elimination of intersegment sales – continuing			(512,702)
Elimination of intersegment sales – discontinued			(70,351)
Revenue from continuing operations			27,215,650
Segment results	497,973	101,073	599,046
Reconciliation:			
Elimination of intersegment results – continuing			(53,238)
Elimination of intersegment results – discontinued			166,167
Profit before tax from continuing operations			711,975
Segment assets	53,950,985	8,024,691	61,975,676
Reconciliation:			
Elimination of intersegment receivables			(9,832,977)
Total assets			52,142,699
Segment liabilities	50,797,245	6,835,201	57,632,446
Reconciliation:			
Elimination of intersegment payables			(7,661,516)
Total liabilities			49,970,930
Other segment information:			
Depreciation	47,493	3,295	50,788
Amortisation	205	1,261	1,466
Provision for impairment of trade receivables, deposits and other receivables	50,852	883	51,735
Share of profit and loss of associates	(18,536)	(706)	(19,242)
Capital expenditure*	47,902	73,971	121,873

Year ended 31 December 2016	Construction contracting	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	37,713,767	895,635	38,609,402
Intersegment sales – continuing	889,377	8,884	898,261
Intersegment sales – discontinued	572,960	–	572,960
Total revenue	39,176,104	904,519	40,080,623
Reconciliation:			
Elimination of intersegment sales – continuing			(898,261)
Elimination of intersegment sales – discontinued			(572,960)
Revenue from continuing operations			38,609,402
Segment results	1,204,862	(182,778)	1,022,084
Reconciliation:			
Elimination of intersegment results – continuing			(45,210)
Elimination of intersegment results – discontinued			331,077
Profit before tax from continuing operations			1,307,951
Segment assets	59,143,973	9,044,919	68,188,892
Reconciliation:			
Elimination of intersegment receivables			(11,250,477)
Assets related to disposal groups classified as held for sale			4,468,577
Total assets			61,406,992
Segment liabilities	56,133,705	8,310,989	64,444,694
Reconciliation:			
Elimination of intersegment payables			(9,366,546)
Liabilities directly associated with the assets classified as held for sale			3,239,166
Total liabilities			58,317,314
Other segment information:			
Depreciation	38,199	7,645	45,844
Amortisation	205	798	1,003
Provision for impairment of trade receivables, deposits and other receivables	118,579	3,366	121,945
Share of profit and loss of associates	(58,631)	367	(58,264)
Capital expenditure*	102,350	91,555	193,905

Six months ended 30 June 2016	Construction contracting	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:			
Sales to external customers	18,309,978	279,822	18,589,800
Intersegment sales – continuing	515,779	–	515,779
Intersegment sales – discontinued	288,877	–	288,877
Total revenue	19,114,634	279,822	19,394,456
Reconciliation:			
Elimination of intersegment sales – continuing			(515,779)
Elimination of intersegment sales – discontinued			(288,877)
Revenue from continuing operations			18,589,800
Segment results	503,974	(74,782)	429,192
Reconciliation:			
Elimination of intersegment results – continuing			(51,536)
Elimination of intersegment results – discontinued			55,789
Profit before tax from continuing operations			433,445
Other segment information:			
Depreciation	19,167	3,755	22,922
Amortisation	103	397	500
Provision for impairment of trade receivables, deposits and other receivables	44,394	2,439	46,833
Share of profit and loss of associates	(39,076)	191	(38,885)
Capital expenditure*	73,369	65,989	139,358

Six months ended 30 June 2017	Construction contracting	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	19,066,837	960,765	20,027,602
Intersegment sales	190,104	–	190,104
Total revenue	19,256,941	960,765	20,217,706
Reconciliation:			
Elimination of intersegment sales			(190,104)
Revenue from continuing operations			20,027,602
Segment results	1,125,451	(36,019)	1,089,432
Reconciliation:			
Elimination of intersegment results			(408,246)
Profit before tax from continuing operations			681,186
Segment assets	56,896,927	7,847,017	64,743,944
Reconciliation:			
Elimination of intersegment receivables			(9,120,218)
Total assets			55,623,726
Segment liabilities	53,486,161	7,002,676	60,488,837
Reconciliation:			
Elimination of intersegment payables			(7,333,442)
Total liabilities			53,155,395
Other segment information:			
Depreciation	24,063	7,359	31,422
Amortisation	–	399	399
Provision for impairment of trade receivables, deposits and other receivables	96,349	61,995	158,344
Share of profit and loss of associates	15	193	208
Capital expenditure*	28,403	27,535	55,938

* Capital expenditure consists of additions to property, plant and equipment, prepaid land lease payment and investment properties.

Geographical information

The Group has derived substantially all of its business 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 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, mainly represents: an appropriate proportion of contract revenue from construction contracting net of business tax; the gross proceeds from the sale of properties, net of business tax; and gross rental income from investment properties, net of business tax during the year/period.

An analysis of the Group's revenue, other income and gains from continuing operations is as follow:

		Year ended 31 December			Six months ended 30 June	
	Notes	**2014**	**2015**	**2016**	**2016**	**2017**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue						
Construction contracting		24,720,126	26,659,261	37,713,767	18,309,978	19,066,837
Sale of properties		133,678	541,737	857,731	271,257	937,376
Rental income and others		5,332	14,652	37,904	8,565	23,389
		24,859,136	27,215,650	38,609,402	18,589,800	20,027,602
Other income						
Interest income		140,330	129,635	171,155	113,397	67,688
Dividend income from available-for-sale investments		20,073	21,206	13,997	–	309
		160,403	150,841	185,152	113,397	67,997
Gains						
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments		622	33,353	6,558	150	21,957
Government grant		6,634	1,401	360	360	800
Changes in fair value of investment properties	*17*	1,893	2,241	(161)	11	405
Gain on disposal of subsidiaries	*36*	22,316	–	7,946	28	–
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		–	–	–	–	22,674
Others		1,686	346	1,896	485	1,416
		33,151	37,341	16,599	1,034	47,252
		193,554	188,182	201,751	114,431	115,249

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Interest on bank loans and other borrowings	221,496	306,944	436,173	239,660	165,213
Less: Interest capitalised	(99,576)	(120,468)	(205,830)	(96,740)	(60,487)
Finance costs	121,920	186,476	230,343	142,920	104,726

8. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

		Year ended 31 December			Six months ended 30 June	
	Notes	2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Cost of construction contracting (including depreciation)		24,014,797	25,812,399	36,018,125	17,691,037	18,293,305
Cost of others		100,647	387,170	708,463	215,528	667,722
Total cost of sales		24,115,444	26,199,569	36,726,588	17,906,565	18,961,027
Depreciation of items of property, plant and equipment		45,236	50,788	45,844	22,922	31,422
Amortisation of prepaid land lease payments		1,550	1,466	1,033	500	399
Total depreciation and amortisation		46,786	52,254	46,877	23,422	31,821
Research and development costs		14,499	19,330	28,104	13,493	14,431
Impairment of trade receivables and deposits and other receivables		69,729	51,735	121,945	46,833	158,344
Auditors' remuneration		420	650	622	310	3,492
Employee benefit expenses (including directors' and supervisors' remuneration):		128,223	135,493	213,608	112,050	134,854
– Wages, salaries and allowances		99,737	107,672	168,906	89,275	101,055
– Social insurance		21,600	19,256	35,765	18,384	28,555
– Welfare and other expenses		6,886	8,564	8,937	4,392	5,244
Interest income		(140,330)	(129,635)	(171,155)	(113,397)	(67,688)
Gain on disposal of items of property, plant and equipment, and prepaid land lease payments		(622)	(33,353)	(6,558)	(150)	(21,957)
Changes in fair value of investment properties		(1,893)	(2,241)	161	(11)	(405)
Dividend income from available-for-sale investments		(20,073)	(21,206)	(13,997)	–	(309)
Gain on disposal of subsidiaries	*36*	(22,316)	–	(7,946)	(28)	–
Gain on disposal of assets and liabilities of disposal groups classified as held for sale		–	–	–	–	(22,674)

9. DIRECTORS' AND SUPERVISORS' REMUNERATION

The Company did not have any chief executive, non-executive director and independent non-executive director at any time during the Relevant Periods.

Certain directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of these directors is set out below:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Fees	–	–	–	–	–
Others emoluments:					
– Salaries, allowances and benefits in kind	1,359	1,150	1,220	540	522
– Performance-related bonuses	2,896	3,741	4,088	2,046	2,233
– Pension scheme contributions	301	284	329	151	95
	4,556	5,175	5,637	2,737	2,850

No independent non-executive directors were appointed and there were no fees and other emoluments payable to the independent non-executive directors during the Relevant Periods.

The names of the directors and supervisors and their remuneration for the Relevant Periods are as follows:

Year ended 31 December 2014	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Li Baoyuan	–	154	522	–	676
Mr. Li Baozhong	–	99	100	26	225
Mr. Cao Qingshe	–	114	418	26	558
Mr. Mao Yuanli(i)	–	103	334	26	463
Mr. Gao Qiuli (iii)	–	103	334	26	463
Ms. Liu Shuzhen	–	103	334	26	463
Mr. Liu Yongjian	–	103	334	26	463
Mr. Chen Mingrong(ii)	–	76	–	–	76
	–	855	2,376	156	3,387
Supervisors					
Mr. Li Zhongyi(iii)	–	114	–	22	136
Mr. Gu Yanwei(iii)	–	72	48	20	140
Ms. Feng Xiujian	–	71	48	21	140
Mr. Zhang Erlei(iii)	–	72	48	20	140
Ms. Geng Xiaowei(iii)	–	65	31	15	111
Ms. Li Ping(ii)	–	15	11	21	47
Mr. Zhao Wensheng(ii)	–	95	334	26	455
	–	504	520	145	1,169
	–	1,359	2,896	301	4,556

Year ended 31 December 2015	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Li Baoyuan	–	154	1,158	–	1,312
Mr. Li Baozhong	–	98	350	28	476
Mr. Cao Qingshe	–	110	459	28	597
Mr. Mao Yuanli(i)	–	99	368	28	495
Mr. Gao Qiuli(iii)	–	99	368	28	495
Ms. Liu Shuzhen	–	99	368	28	495
Mr. Liu Yongjian	–	99	368	28	495
	–	758	3,439	168	4,365
Supervisors					
Mr. Li Zhongyi(iii)	–	113	–	24	137
Mr. Gu Yanwei(iii)	–	71	81	24	176
Ms. Feng Xiujian	–	71	81	24	176
Mr. Zhang Erlei(iii)	–	71	81	24	176
Ms. Geng Xiaowei(iii)	–	66	59	20	145
	–	392	302	116	810
	–	1,150	3,741	284	5,175

Year ended 31 December 2016	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Li Baoyuan	–	154	1,374	–	1,528
Mr. Li Baozhong	–	143	386	31	560
Mr. Cao Qingshe	–	112	482	31	625
Mr. Mao Yuanli(i)	–	101	386	31	518
Mr. Gao Qiuli(iii)	–	101	386	31	518
Ms. Liu Shuzhen	–	101	386	31	518
Mr. Liu Yongjian	–	101	386	31	518
	–	813	3,786	186	4,785
Supervisors					
Mr. Li Zhongyi(iii)	–	108	–	24	132
Mr. Gu Yanwei(iii)	–	76	81	31	188
Ms. Feng Xiujian	–	76	81	31	188
Mr. Zhang Erlei(iii)	–	76	81	31	188
Ms. Geng Xiaowei(iii)	–	71	59	26	156
	–	407	302	143	852
	–	1,220	4,088	329	5,637

Six months ended 30 June 2016	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contribution	Total
	RMB'000 (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)	*RMB'000* (Unaudited)
Directors					
Mr. Li Baoyuan	–	75	687	–	762
Mr. Li Baozhong	–	60	193	14	267
Mr. Cao Qingshe	–	51	241	14	306
Mr. Mao Yuanli(i)	–	45	193	14	252
Mr. Gao Qiuli(iii)	–	45	193	14	252
Ms. Liu Shuzhen	–	45	193	14	252
Mr. Liu Yongjian	–	37	193	14	244
	–	358	1,893	84	2,335
Supervisors					
Mr. Li Zhongyi(iii)	–	55	–	12	67
Mr. Gu Yanwei(iii)	–	37	41	14	92
Ms. Feng Xiujian	–	37	41	14	92
Mr. Zhang Erlei(iii)	–	22	41	14	77
Ms. Geng Xiaowei(iii)	–	31	30	13	74
	–	182	153	67	402
	–	540	2,046	151	2,737

Six months ended 30 June 2017	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contribution	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Mr. Li Baoyuan	–	75	755	–	830
Mr. Li Baozhong	–	60	212	16	288
Mr. Cao Qingshe	–	51	265	16	332
Mr. Shang Jinfeng	–	51	212	16	279
Ms. Liu Shuzhen	–	46	212	16	274
Mr. Liu Yongjian	–	46	212	16	274
	–	329	1,868	80	2,277
Supervisors					
Mr. Mao Yuanli(i)	–	46	212	16	274
Mr. Liu Jingqiao	–	39	41	16	96
Ms. Feng Xiujian	–	36	41	15	92
Mr. Yue Jianming	–	36	41	15	92
Mr. Wang Feng	–	36	30	13	79
	–	193	365	75	633
	–	522	2,233	155	2,910

(i) Resigned as a director, and appointed as a supervisor of the Company in March 2017.

(ii) Resigned as a director or a supervisor of the Company in March 2014.

(iii) Resigned as a director or a supervisor of the Company in March 2017.

There was no arrangement under which the directors waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017, included 2, 3, 3, 2 and 2 directors, details of whose remuneration are set out in Note 9 above. Details of the remaining 3, 2, 2, 3 and 3 highest paid employees who are neither directors nor supervisors of the Company during the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	242	278	210	105	107
Performance-related bonuses	1,096	1,677	2,034	1,018	493
Pension scheme	52	56	31	14	16
	1,390	2,011	2,275	1,137	616

The number of non-director and non-supervisor highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Nil to HK$1,000,000	3	1	1	2	3
HK$1,000,001 to HK$1,500,000	–	1	1	–	–

11. INCOME TAX EXPENSE

Provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporation Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**").

According to the requirements of the Provisional Regulations of the PRC on land appreciation tax ("**LAT**") effective from 1 January 1994, and the Detailed Implementation Rules on the Provisional Regulations of the PRC on LAT effective from 27 January 1995, all income from the sale or transfer of state-owned leasehold interests on land, buildings and their attached facilities in Mainland China is subject to LAT at progressive rates ranging from 30% to 60% of the appreciation value, with an exemption provided for property sales of ordinary residential properties if their appreciation values do not exceed 20% of the sum of the total deductible items.

The Group has estimated and made tax provision for LAT according to 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 completion of the property development projects and the tax authorities might disagree with the basis on which the provision for LAT is calculated.

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Current income tax	175,377	150,945	376,324	141,049	180,498
PRC LAT	4,687	24,090	6,150	899	29,709
Deferred income tax	(67,536)	(6,109)	(125,254)	(37,012)	(1,886)
Tax charge for the year/period	112,528	168,926	257,220	104,936	208,321

A reconciliation of the income tax expense from continuing operations applicable to profit before tax from continuing operations using the statutory income tax rate applicable in Mainland China to the income tax expense at the Group's effective income tax rate for the Relevant Periods is as follows:

	Year ended 31 December			Six months ended 30 June	
	2014	**2015**	**2016**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Profit before tax from continuing operations	471,930	711,975	1,307,951	433,445	681,186
Income tax charge at the statutory income tax rate	117,984	177,993	326,983	108,361	170,297
Impact resulting from elimination between continuing operations and discontinued operations	(4,201)	(41,542)	(82,769)	(4,575)	–
Income not subject to tax	(5,018)	(5,301)	(3,499)	–	(77)
Expenses not deductible for tax purposes	999	1,218	1,530	251	140
Tax losses utilised from previous periods	(868)	–	(1,107)	(912)	–
Tax losses not recognised	2,763	6,949	16,955	5,668	15,794
Others	(2,646)	11,542	(5,485)	(4,531)	(115)
LAT	4,687	24,090	6,150	899	29,709
Tax effect of LAT deductible for PRC Corporate Income Tax ("**CIT**")	(1,172)	(6,023)	(1,538)	(225)	(7,427)
Tax charge for the year/period at the Group's effective rate	112,528	168,926	257,220	104,936	208,321

12. DISCONTINUED OPERATIONS AND ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

a) Discontinued operations

In November 2016, the Group decided to dispose of the entire interests in subsidiaries engaged in the water utility services, construction labor services and other non-core businesses (Collectively, "**Disposal Group One**"). The reason for the disposals is to delineate other businesses operated by the Group from its principal business. Disposal Group One was classified as a disposal group held for sale and as discontinued operations. With Disposal Group One being classified as discontinued operations, the related businesses are no longer included in the note for operating segment information.

The results of Disposal Group One presented as discontinued operations for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 are as below:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Revenue	749,719	876,501	2,071,162	1,163,690	–
Cost of sales	(718,517)	(977,428)	(2,234,784)	(1,157,823)	–
Gross profit/(loss)	31,202	(100,927)	(163,622)	5,867	–
Other income and gains	833	475	2,393	583	–
Selling and distribution expenses	(617)	(675)	(343)	(223)	–
Administrative expenses	(19,016)	(14,806)	(39,246)	(16,954)	–
Other expenses	(3,646)	(3,267)	(10,513)	(5,135)	–
Finance costs	(8,194)	(1,408)	(3,412)	(3,115)	–
Profit/(loss) before tax from the discontinued operations	562	(120,608)	(214,743)	(18,977)	–
Gains on disposal of the discontinued operations	–	–	–	–	35,630
Income tax expense	(8,653)	(12,208)	(22,385)	(9,601)	(8,908)
(Loss)/profit for the year/period from the discontinued operations	(8,091)	(132,816)	(237,128)	(28,578)	26,722
Attributable to:					
Owners of the parent	(1,011)	(135,075)	(249,590)	(36,467)	26,722
Non-controlling interests	(7,080)	2,259	12,462	7,889	–
	(8,091)	(132,816)	(237,128)	(28,578)	26,722

The major classes of assets and liabilities of Disposal Group One classified as held for sale as of 31 December 2016 are as follows:

	31 December 2016
	RMB'000
Assets	
Property, plant and equipment	82,019
Prepaid land lease payments	11,020
Receivables under service concession arrangements	1,442,294
Inventories	66,656
Trade and bills receivables	372,015
Prepayments, deposits and other receivables	20,460
Amounts due from contract customers	381,051
Cash and cash equivalent	428,782
	2,804,297
Liabilities	
Interest-bearing bank and other borrowings	(1,057,500)
Trade and bills payables	(483,901)
Amounts due to contract customers	(112,258)
Other payables, advances from customers and accruals	(612,022)
Tax payable	(20,266)
	(2,285,947)
Net assets directly associated with the disposal group	518,350

The net cash flows incurred by Disposal Group One for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 are as follows:

	Year ended 31 December			Six months ended 30 June
	2014	2015	2016	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Operating activities	(60,552)	171,196	673,256	563,819
Investing activities	(300,924)	(270,468)	(1,450,491)	(654,123)
Financing activities	506,936	101,965	1,004,997	100,308
Net cash inflow	145,460	2,693	227,762	10,004

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				(Unaudited)	
(Loss)/earning per share (expressed in RMB per share) Basic and diluted, from the discontinued operation	–*	(0.11)	(0.20)	(0.03)	0.02

* Loss per share was less than RMB0.01 after the value rounded.

The calculations of basic and diluted earnings per share from the discontinued operation are based on:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
(Loss)/profit attributable to ordinary equity holders of the parent from the discontinued operation	(1,011)	(135,075)	(249,590)	(36,467)	26,722

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				(Unaudited)	
Number of shares:					
Weighted average number of ordinary shares in issue during the year, used in the basic earnings per share calculation *(Note 15)*	779,818,000	1,200,000,000	1,200,000,000	1,200,000,000	1,283,333,333

b) Assets and liabilities of disposal groups classified as held for sale

In November 2016, the Group decided to dispose of the entire interests in Hebei Construction Group Liaoning Engineering Co., Ltd. to third parties; the Company also decided to dispose of entire interest in Zhongwei Construction Engineering Co., Ltd. and certain assets and liabilities to Zhongming Zhiye Co., Ltd., a subsidiary of the Company established in December 2016, which was disposed to the Company's shareholder in 2017. The disposal of above was classified as a disposal group held for sale as at 31 December 2016.

The disposal assets and liabilities in this category are collectively referred as "**Disposal Group Two**".

As of 31 December 2016, details of the assets and liabilities of Disposal Group Two are listed as follows:

Group

	31 December 2016
	RMB'000
Assets	
Property, plant and equipment	44,533
Prepaid land lease payments	5,786
Trade and bills receivables	388,443
Investment property	40,472
Investments in associates	624,750
Available-for-sale investments	92,400
Prepayments, deposits and other receivables	65,781
Amounts due from contract customers	336,109
Cash and cash equivalent	66,006
Assets of disposal group classified as held for sale	1,664,280
Liabilities	
Interest-bearing bank and other borrowings	(104,770)
Trade and bills payables	(668,289)
Amounts due to contract customers	(91,979)
Other payables, advances from customers and accruals	(78,026)
Deferred tax liabilities	(6,492)
Tax payable	(3,663)
Liabilities directly associated with the assets classified as held for sale	(953,219)
Net assets directly associated with the disposal group	711,061

Company

	31 December 2016
	RMB'000
Assets	
Property, plant and equipment	22,989
Prepaid land lease payments	5,787
Investment property	40,472
Investments in associates	622,349
Prepayments, deposits and other receivables	24,000
Available-for-sale investments	92,400
Assets of disposal group classified as held for sale	807,997
Liabilities	
Interest-bearing bank and other borrowings	(86,770)
Other payables, advances from customers and accruals	(4,500)
Deferred tax liabilities	(8,749)
Liabilities directly associated with the assets classified as held for sale	(100,019)
Net assets directly associated with the disposal group	707,978

c) The major classes of assets and liabilities of the disposal groups classified as held for sale as of 31 December 2016 are as follows:

	Notes	Disposal Group One	Disposal Group Two	Total
		RMB'000	*RMB'000*	*RMB'000*
Assets				
Property, plant and equipment	*16*	82,019	44,533	126,552
Investment property	*17*	–	40,472	40,472
Prepaid land lease payments	*18*	11,020	5,786	16,806
Investments in associates		–	624,750	624,750
Available-for-sale investments		–	92,400	92,400
Receivables under service concession agreements	*23*	1,442,294	–	1,442,294
Inventories		66,656	–	66,656
Trade and bills receivables		372,015	388,443	760,458
Prepayments, deposits and other receivables		20,460	65,781	86,241
Amounts due from contract customers		381,051	336,109	717,160
Cash and cash equivalent		428,782	66,006	494,788
		2,804,297	1,664,280	4,468,577
Liabilities				
Interest-bearing bank and other borrowings		(1,057,500)	(104,770)	(1,162,270)
Trade and bills payables		(483,901)	(668,289)	(1,152,190)
Amounts due to contract customers		(112,258)	(91,979)	(204,237)
Other payables, advances from customers and accruals		(612,022)	(78,026)	(690,048)
Deferred tax liabilities		–	(6,492)	(6,492)
Tax payable		(20,266)	(3,663)	(23,929)
		(2,285,947)	(953,219)	(3,239,166)
Net assets directly associated with the disposal groups		518,350	711,061	1,229,411

On 6 January 2017, the Group completed its disposal of discontinued operations and assets and liabilities of disposal groups classified as held for sale, and the results of the Disposal Group One and the Disposal Group Two from 1 January 2017 to 6 January 2017 were insignificant.

The consideration for the disposal was in cash and substantially collected by 30 June 2017.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 includes profits of RMB358,616,000, RMB322,277,000, RMB841,597,000, RMB345,885,000 and RMB963,860,000, respectively, which have been dealt with in the financial statements of the Company (Note 35(b)).

14. DIVIDENDS

The dividends during the Relevant Periods are set out below:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Dividends declared to owners of the parent	304,000	176,000	14,850	14,850	1,151,400

The rates of distribution are not presented as this information is not meaningful for the purpose of this report.

15. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year/period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue during Relevant Periods.

No adjustment has been made to the basic earnings per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during Relevant Periods.

The following reflects the income and share data used in the basic earnings per share computation:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Earnings:					
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:					
From continuing operations	359,497	541,352	1,017,768	320,213	476,514
From discontinued operations	(1,011)	(135,075)	(249,590)	(36,467)	26,722
	358,486	406,277	768,178	283,746	503,236

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
				(Unaudited)	
Number of shares:					
Weighted average number of ordinary shares in issue during the year/period, used in the basic earnings per share calculation	779,818,000	1,200,000,000	1,200,000,000	1,200,000,000	1,283,333,333

In January 2017, the number of ordinary shares increased by 100,000,000, as a result of injection by shareholders of the Company (Note 34).

In April 2017, the Company was converted to a joint stock company, total 1,300,000,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. The conversion to ordinary shares with par value of RMB1 each is applied retrospectively for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2016 and 2017 for the purpose of computation of basic earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	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 2014						
At 31 December 2013 and at 1 January 2014:						
Cost	98,158	282,473	105,239	62,460	11,982	560,312
Accumulated depreciation	(29,748)	(162,486)	(66,945)	(25,501)	–	(284,680)
Net carrying amount	68,410	119,987	38,294	36,959	11,982	275,632
At 1 January 2014, net of accumulated depreciation	68,410	119,987	38,294	36,959	11,982	275,632
Additions	5	11,482	12,993	13,333	96,587	134,400
Disposals	–	(286)	(799)	(7,390)	–	(8,475)
Transfers	–	–	–	2,111	(2,111)	–
Depreciation provided during the year	(4,017)	(19,278)	(12,340)	(19,780)	–	(55,415)
At 31 December 2014, net of accumulated depreciation	64,398	111,905	38,148	25,233	106,458	346,142
At 31 December 2014:						
Cost	93,096	289,467	113,608	67,795	106,458	670,424
Accumulated depreciation	(28,698)	(177,562)	(75,460)	(42,562)	–	(324,282)
Net carrying amount	64,398	111,905	38,148	25,233	106,458	346,142

Group

	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 2015						
At 31 December 2014 and at 1 January 2015:						
Cost	93,096	289,467	113,608	67,795	106,458	670,424
Accumulated depreciation	(28,698)	(177,562)	(75,460)	(42,562)	–	(324,282)
Net carrying amount	64,398	111,905	38,148	25,233	106,458	346,142
At 1 January 2015, net of accumulated depreciation	64,398	111,905	38,148	25,233	106,458	346,142
Additions	16,219	42,399	15,518	17,184	30,675	121,995
Disposals	(4,546)	(10,636)	(3,205)	(263)	–	(18,650)
Transfers	–	954	–	424	(1,378)	–
Depreciation provided during the year	(4,039)	(17,092)	(12,589)	(25,062)	–	(58,782)
At 31 December 2015, net of accumulated depreciation	72,032	127,530	37,872	17,516	135,755	390,705
At 31 December 2015:						
Cost	103,925	310,489	105,124	79,436	135,755	734,729
Accumulated depreciation	(31,893)	(182,959)	(67,252)	(61,920)	–	(344,024)
Net carrying amount	72,032	127,530	37,872	17,516	135,755	390,705

Group

	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 31 December 2015 and at 1 January 2016:						
Cost	103,925	310,489	105,124	79,436	135,755	734,729
Accumulated depreciation	(31,893)	(182,959)	(67,252)	(61,920)	–	(344,024)
Net carrying amount	72,032	127,530	37,872	17,516	135,755	390,705
At 1 January 2016, net of accumulated depreciation	72,032	127,530	37,872	17,516	135,755	390,705
Additions	61,824	23,877	9,811	22,603	75,789	193,904
Disposals	(16,696)	(13,647)	(1,050)	(6,194)	–	(37,587)
Transfers	–	–	–	5,853	(5,853)	–
Assets included in assets of disposal groups classified as held for sale *(Note 12)*	(30,783)	(41,142)	(3,386)	(5,477)	(45,764)	(126,552)
Depreciation provided during the year	(8,617)	(18,361)	(12,232)	(12,111)	–	(51,321)
At 31 December 2016, net of accumulated depreciation	77,760	78,257	31,015	22,190	159,927	369,149
At 31 December 2016:						
Cost	86,334	148,013	100,039	74,913	159,927	569,226
Accumulated depreciation	(8,574)	(69,756)	(69,024)	(52,723)	–	(200,077)
Net carrying amount	77,760	78,257	31,015	22,190	159,927	369,149

Group

	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*
30 June 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	86,334	148,013	100,039	74,913	159,927	569,226
Accumulated depreciation	(8,574)	(69,756)	(69,024)	(52,723)	–	(200,077)
Net carrying amount	77,760	78,257	31,015	22,190	159,927	369,149
At 1 January 2017, net of accumulated depreciation	77,760	78,257	31,015	22,190	159,927	369,149
Additions	11,084	7,911	4,027	11,891	21,025	55,938
Disposals	(9,840)	–	(403)	(3,978)	(1,305)	(15,526)
Transfers	178,652	–	–	–	(178,652)	–
Depreciation provided during the period	(8,892)	(6,641)	(6,102)	(9,787)	–	(31,422)
At 30 June 2017, net of accumulated depreciation	248,764	79,527	28,537	20,316	995	378,139
At 30 June 2017:						
Cost	268,896	155,196	102,132	81,375	995	608,594
Accumulated depreciation	(20,132)	(75,669)	(73,595)	(61,059)	–	(230,455)
Net carrying amount	248,764	79,527	28,537	20,316	995	378,139

Company

	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 2014						
At 31 December 2013 and at 1 January 2014:						
Cost	74,248	209,667	85,778	50,762	1,622	422,077
Accumulated depreciation	(24,012)	(139,559)	(56,346)	(20,646)	–	(240,563)
Net carrying amount	50,236	70,108	29,432	30,116	1,622	181,514
At 1 January 2014, net of accumulated depreciation	50,236	70,108	29,432	30,116	1,622	181,514
Additions	5	9,306	7,181	11,923	3,168	31,583
Disposals	–	(58)	(415)	(7,344)	–	(7,817)
Transfers	–	–	–	2,111	(2,111)	–
Depreciation provided during the year	(2,788)	(13,492)	(9,453)	(16,119)	–	(41,852)
At 31 December 2014, net of accumulated depreciation	47,453	65,864	26,745	20,687	2,679	163,428
At 31 December 2014:						
Cost	69,186	216,304	89,974	55,099	2,679	433,242
Accumulated depreciation	(21,733)	(150,440)	(63,229)	(34,412)	–	(269,814)
Net carrying amount	47,453	65,864	26,745	20,687	2,679	163,428

Company

	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 2015						
At 31 December 2014 and at 1 January 2015:						
Cost	69,186	216,304	89,974	55,099	2,679	433,242
Accumulated depreciation	(21,733)	(150,440)	(63,229)	(34,412)	–	(269,814)
Net carrying amount	47,453	65,864	26,745	20,687	2,679	163,428
At 1 January 2015, net of accumulated depreciation	47,453	65,864	26,745	20,687	2,679	163,428
Additions	176	1,993	11,288	16,060	92	29,609
Disposals	(4,546)	(10,636)	(2,540)	(215)	–	(17,937)
Transfers	–	–	–	424	(424)	–
Depreciation provided during the year	(3,243)	(11,988)	(9,395)	(21,429)	–	(46,055)
At 31 December 2015, net of accumulated depreciation	39,840	45,233	26,098	15,527	2,347	129,045
At 31 December 2015:						
Cost	63,972	195,966	78,212	65,743	2,347	406,240
Accumulated depreciation	(24,132)	(150,733)	(52,114)	(50,216)	–	(277,195)
Net carrying amount	39,840	45,233	26,098	15,527	2,347	129,045

Company

	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 31 December 2015 and at 1 January 2016:						
Cost	63,972	195,966	78,212	65,743	2,347	406,240
Accumulated depreciation	(24,132)	(150,733)	(52,114)	(50,216)	–	(277,195)
Net carrying amount	39,840	45,233	26,098	15,527	2,347	129,045
At 1 January 2016, net of accumulated depreciation	39,840	45,233	26,098	15,527	2,347	129,045
Additions	50,753	20,445	6,846	13,414	6,270	97,728
Disposals	(16,696)	(13,504)	(847)	(6,105)	–	(37,152)
Transfers	–	–	–	5,853	(5,853)	–
Assets included in assets of disposal groups classified as held for sale *(Note 12)*	(22,989)	–	–	–	–	(22,989)
Depreciation provided during the year	(7,193)	(9,534)	(8,612)	(10,752)	–	(36,091)
At 31 December 2016, net of accumulated depreciation	43,715	42,640	23,485	17,937	2,764	130,541
At 31 December 2016:						
Cost	49,918	105,063	81,730	67,745	2,764	307,220
Accumulated depreciation	(6,203)	(62,423)	(58,245)	(49,808)	–	(176,679)
Net carrying amount	43,715	42,640	23,485	17,937	2,764	130,541

Company

	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*
30 June 2017						
At 31 December 2016 and at 1 January 2017:						
Cost	49,918	105,063	81,730	67,745	2,764	307,220
Accumulated depreciation	(6,203)	(62,423)	(58,245)	(49,808)	–	(176,679)
Net carrying amount	43,715	42,640	23,485	17,937	2,764	130,541
At 1 January 2017, net of accumulated depreciation	43,715	42,640	23,485	17,937	2,764	130,541
Additions	13,770	1,860	3,368	6,734	2,031	27,763
Disposals	(9,029)	–	(390)	(3,866)	(1,305)	(14,590)
Transfers	2,150	–	–	–	(2,150)	–
Depreciation provided during the period	(5,655)	(3,952)	(4,662)	(8,711)	–	(22,980)
At 30 June 2017, net of accumulated depreciation	44,951	40,548	21,801	12,094	1,340	120,734
At 30 June 2017:						
Cost	52,549	106,199	83,421	69,163	1,340	312,672
Accumulated depreciation	(7,598)	(65,651)	(61,620)	(57,069)	–	(191,938)
Net carrying amount	44,951	40,548	21,801	12,094	1,340	120,734

Certain of the Group's buildings with net carrying amount of approximately RMB6,513,000, RMB10,595,000, RMB570,000 and RMB14,839,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, were pledged to secure bank facilities granted to the Group (Note 33).

17. INVESTMENT PROPERTIES

Group and Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	169,869	171,762	174,003	133,370
Net gain/(loss) from fair value adjustments	1,893	2,241	(161)	405
Assets included in assets of disposal groups classified as held for sale *(Note 12)*	–	–	(40,472)	–
Carrying amount at end of the year/period	171,762	174,003	133,370	133,775

The Group's investment properties consist of two commercial properties located in Baoding City of Hebei Province in Mainland China. The Group's investment properties were revalued on 31 December 2014, 2015 and 2016 and 30 June 2017 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent professionally qualified valuers.

The investment properties are leased to third parties under operating leases, further summary details of which are included in Note 41 to the Historical Financial Information.

Fair value hierarchy

For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the fair value measurements of all investment properties of the Group were categorised within Level 3 of the fair value hierarchy and details of their movements are disclosed above.

In the opinion of the directors, for all investment properties that are measured at fair value, the properties have been used their highest and best use.

The following table illustrates the fair value measurement of the Group's investment properties:

	Fair value measurement using significant unobservable inputs (Level 3)			
	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Office properties	39,818	40,150	40,472	–
Retail properties	131,944	133,853	133,370	133,775
Assets included in assets of disposal groups classified as held for sale	–	–	(40,472)	–
	171,762	174,003	133,370	133,775

During the Relevant Periods, there were no transfer of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

Group and Company

	Commercial Properties
	RMB'000
Carrying amount at 1 January 2014	169,869
Net gain from fair value adjustments	1,893
Carrying amount at 31 December 2014 and 1 January 2015	171,762
Net gain from fair value adjustments	2,241
Carrying amount at 31 December 2015 and 1 January 2016	174,003
Net loss from fair value adjustments	(161)
Assets included in assets of disposal groups classified as held for sale	(40,472)
Carrying amount at 31 December 2016 and 1 January 2017	133,370
Net gain from fair value adjustments	405
Carrying amount at 30 June 2017	133,775

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

			Range or weighted average			
	Valuation techniques	**Significant unobservable inputs**	**2014**	**2015**	**2016**	**30 June 2017**
Office properties	The term and reversion method	Term yield	4%	4%	4%	–
		Reversionary yield	4.5%	4.5%	4.5%	–
		Market rent (per square meter ("**sq.m.**") per annum ("**p.a.**"))	41-44	41-44	42-45	–
Retail properties	The term and reversion method	Term yield	3.5%	3.5%	3.5%	3.5%
		Reversionary yield	4.5%	4.5%	4.5%	4.5%
		Market rent (per square meter ("**sq.m.**") per annum ("**p.a.**"))	105-207	104-205	103-203	103-203

The term and reversion method measures the fair value of the properties 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 fair value at an appropriate capitalization rate.

The valuations of completed investment properties were based on the investment method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties.

Significant increases/(decreases) in estimated rental value per square metre in isolation would result in a significantly higher/(lower) fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square meter is accompanied by a directionally similar change in the development profit and an opposite change in the capitalisation rate.

The Group's investment properties with an aggregate carrying amount of nil, RMB133,853,000, nil and nil as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, were pledged to secure the bank loans granted to the Group (Note 33).

18. PREPAID LAND LEASE PAYMENTS

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	78,796	86,090	66,552	38,221
Additions	8,844	–	–	–
Amortisation for the year/period	(1,550)	(1,466)	(1,003)	(399)
Disposals	–	(18,072)	(10,522)	–
Carrying amount at end of the year/period	86,090	66,552	55,027	37,822
Assets included in assets of disposal groups classified held for sale *(Note 12)*	–	–	(16,806)	–
Current portion included in prepayments, deposits and other receivables	(1,683)	(1,466)	(824)	(799)
Non-current portion	84,407	65,086	37,397	37,023

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at beginning of the year/period	60,164	29,118	10,841	6,588
Additions	486	–	–	–
Amortisation for the year/period	(205)	(205)	(205)	–
Disposals	(31,327)	(18,072)	(4,048)	(5,787)
Carrying amount at end of the year/period	29,118	10,841	6,588	801
Assets included in assets of disposal groups classified as held for sale *(Note 12)*	–	–	(5,787)	–
Portion classified as current assets	(205)	(205)	(25)	–
Non-current portion	28,913	10,636	776	801

The leasehold lands are situated in Mainland China and are held with lease terms of 30 to 50 years.

As of 31 December 2014, 2015 and 2016 and 30 June 2017, certain of the Group's lands with a net carrying amount of approximately RMB36,953,000, RMB56,443,000, RMB44,646,000 and RMB37,021,000, respectively, were pledged to secure the bank facilities granted to the Group (Note 33).

19. INVESTMENTS IN ASSOCIATES

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Yingkou Haidong Ecology Industry Co., Ltd*	Ordinary shares	The PRC/ Mainland China	39%	Infrastructure, landscaping consultation
Hebei Baocang Expressway Co., Ltd.*	Ordinary shares	The PRC/ Mainland China	31%	Highway management and operation
Rongcheng Hengda Construction Investment Co., Ltd.	Ordinary shares	The PRC/ Mainland China	29%	Construction contracting
Zhongji United Investment Holding Co., Ltd.*	Ordinary shares	The PRC/ Mainland China	22%	Project investment, asset management, investment management and investment consulting
Baoding Lianchi Zhongzhou Micro Loan Co., Ltd.*	Ordinary shares	The PRC/ Mainland China	20%	Financing services

* The investments over these entities are included in Disposal Group Two under Note 12.

Group

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	554,096	611,541	79,091	78,883

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the associates' (loss)/profit from continuing operations for the year/period	(6,366)	19,242	58,264	(208)
Share of the associates' total comprehensive (loss)/income	(6,366)	19,242	58,264	(208)
Aggregate carrying amount of the Group's investments in the associates	554,096	611,541	79,091	78,883

Company

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets	504,775	556,501	29,044	29,029

The following table illustrates the aggregate financial information of the Company's associates that are not individually material:

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of the associates' (loss)/profit for the year/period	(5,688)	20,321	58,259	(15)
Share of the associates' total comprehensive (loss)/income	(5,688)	20,321	58,259	(15)
Aggregate carrying amount of the Company's investments in the associates	504,775	556,501	29,044	29,029

20. INVESTMENTS IN SUBSIDIARIES

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted shares, at cost	1,273,222	1,361,181	1,567,638	1,235,334

Particulars of the subsidiaries of the Company are set out in Note 1 to the Historical Financial Information.

21. AVAILABLE-FOR-SALE INVESTMENTS

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investments, at cost	242,400	242,400	148,500	188,500

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted equity investments, at cost	238,550	238,550	148,500	188,500

The unlisted equity investments represent the investments in entities established in the PRC. The investments are measured at cost less impairment at each reporting date because they do not have quoted market prices in an active market and the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably.

22. DEFERRED TAX

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax assets	146,911	154,552	278,830	280,948
Gross deferred tax liabilities	(36,175)	(37,085)	(28,611)	(28,843)
	110,736	117,467	250,219	252,105
Deferred tax assets included in the disposal groups classified as held for sale	–	–	2,257	–
Deferred tax liabilities included in the disposal groups classified as held for sale	–	–	(8,749)	–
	110,736	117,467	243,727	252,105

The movements in deferred tax assets and liabilities during the Relevant Periods are as follows:

	Losses available for offsetting against future taxable profits	Provision and accruals	Changes in fair value of investment properties	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets/(liability) at 1 January 2014	501	68,974	(35,369)	8,711	42,817
Deferred tax credited/(charged) to profit or loss during the year	7,341	56,550	(806)	4,834	67,919
Deferred tax assets/(liability) at 31 December 2014 and 1 January 2015	7,842	125,524	(36,175)	13,545	110,736
Deferred tax credited/(charged) to profit or loss during the year	(5,055)	7,954	(910)	4,742	6,731
Deferred tax assets/(liability) at 31 December 2015 and 1 January 2016	2,787	133,478	(37,085)	18,287	117,467
Deferred tax credited/(charged) to profit or loss during the year	71,308	47,839	(275)	7,388	126,260
Assets included in the assets of disposal group classified as held for sale *(Note 12)*	–	(2,257)	8,749	–	6,492
Deferred tax assets/(liability) at 31 December 2016 and 1 January 2017	74,095	179,060	(28,611)	25,675	250,219
Deferred tax credited/(charged) to profit or loss during the period	39,600	(25,135)	(232)	(12,347)	1,886
Deferred tax assets/(liability) at 30 June 2017	113,695	153,925	(28,843)	13,328	252,105

Company

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gross deferred tax assets	100,544	104,767	146,864	112,572
Gross deferred tax liability	(36,175)	(37,085)	(28,611)	(28,843)
	64,369	67,682	118,253	83,729
Deferred tax liabilities included in the disposal groups	–	–	(8,749)	–
	64,369	67,682	109,504	83,729

The movements in deferred tax assets and liability during the Relevant Periods are as follows:

	Provision and accruals	Changes in fair value of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets/(liability) at 1 January 2014	47,496	(35,369)	12,127
Deferred tax credited/(charged) to profit or loss during the year	53,048	(806)	52,242
Deferred tax assets/(liability) at 31 December 2014 and 1 January 2015	100,544	(36,175)	64,369
Deferred tax credited/(charged) to profit or loss during the year	4,223	(910)	3,313
Deferred tax assets/(liability) at 31 December 2015 and 1 January 2016	104,767	(37,085)	67,682
Deferred tax credited/(charged) to profit or loss during the year	42,100	(278)	41,822
Assets included in the assets of disposal group classified as held for sale *(Note 12)*	–	8,749	8,749
Deferred tax assets/(liability) at 31 December 2016 and 1 January 2017	146,864	(28,611)	118,253
Deferred tax credited/(charged) to profit or loss during the period	(34,292)	(232)	(34,524)
Deferred tax assets/(liability) at 30 June 2017	112,572	(28,843)	83,729

Certain subsidiaries of the Group had tax losses arising in Mainland China of RMB3,722,000, RMB30,271,000, RMB87,674,000 and RMB150,821,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, that will expire in one to five years for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. SERVICE CONCESSION ARRANGEMENTS

The Group has entered into a number of service concession arrangements with certain governmental authorities in Mainland China in respect of its drainage, water treatment and water distribution services. These service concession arrangements generally involve the Group as an operator constructing water treatment and water distribution facilities (collectively, the "**Facilities**") for those arrangements on a Built-Operation-Transfer ("**BOT**") basis and the Group will be paid for its services over the relevant periods of the service concession arrangements at prices stipulated through a pricing mechanism. The Group is generally entitled to use all the property, plant and equipment of the Facilities, however, the relevant governmental authorities as grantors will control and regulate the scope of services that the Group must provide with the Facilities, and retain the beneficial entitlement to any residual interest in the Facilities at the end of the terms of the Service Concession Periods. These service concession arrangements is governed by a contract and, where applicable, supplementary agreements entered into between the Group and the relevant governmental authority in Mainland China performance standards, mechanisms for adjusting prices for the services rendered by the Group, specific obligations imposed on the Group to restore the Facilities to a specified level of serviceability at the end of the Service Concession Periods, and arrangements for arbitrating disputes.

No.	Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Service concession period
1	安國市中洲水業有限公司	Anguo, Hebei Province, the PRC	安國市水利局	BOT on water treatment	30 years from 2015 to 2045
2	涿州市中洲水業有限公司	Zhuozhou, Hebei Province, the PRC	涿州市住房和城鄉建設局	BOT on water distribution	30 years from 2016 to 2046
3	安新縣中洲水業有限公司	Baoding, Hebei Province, the PRC	安新縣住房和城鄉建設局	BOT on water treatment	30 years from 2016 to 2046
4	保定市中誠自來水供應有限公司	Baoding, Hebei Province, the PRC	徐水區住房和城鄉建設局	BOT on water treatment	30 years from 2014 to 2044
5	保定市中洲自來水供應有限公司	Baoding, Hebei Province, the PRC	保定市滿城區住房和城鄉建設局	BOT on water treatment	30 years from 2016 to 2046
6	邢台市大曹莊管理區水業集團	Xingtai, Hebei Province, the PRC	邢台市大曹莊管理區委會	BOT on water distribution	30 years from 2013 to 2043
7	定州市中洲水業有限公司	Dingzhou, Hebei Province, the PRC	河北省定州市人民政府	BOT on water distribution	30 years from 2015 to 2045
8	寧晉縣中洲水業有限公司	Xingtai, Hebei Province, the PRC	河北省寧晉縣人民政府	BOT on water distribution	30 years from 2014 to 2044
9	容城縣中洲水業有限公司	Baoding, Hebei Province, the PRC	容城縣住房和城鄉建設局	BOT on water distribution	30 years from 2016 to 2046

No.	Name of company as operator	Location	Name of grantor	Type of service concession arrangement	Service concession period
10	威縣中洲水業有限公司	Xingtai, Hebei Province, the PRC	河北省威縣人民政府	BOT on water distribution	30 years from 2014 to 2044
11	冀州市中洲環保科技有限公司	Hengshui, Hebei Province, the PRC	冀州市人民政府	BOT on water distribution	30 years from completion

The above table lists the service concession arrangements of the Group 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 all other service concession arrangements would, in the opinion of the directors, result in particulars of excessive length.

Pursuant to the service concession agreements entered into by the Group, the Group is granted the rights to use the property, plant and equipment of the Facilities and related land, which are generally registered under the names of the relevant companies of the Group, during the Service Concession Periods, but the Group is generally required to surrender these property, plant and equipment to the grantors at a specified level of serviceability at the end of the respective Service Concession Periods. At 31 December 2016, the Group was in the process of applying for the change of registration of the title certificates with respect to certain land use rights of certain facilities to which the Group's service concession arrangements relate. The directors of the Company are of the opinion that the Group is entitled to the lawful and valid occupation or use of these land to which the above-mentioned land use rights relate, and that the Group would not have any legal barriers in obtaining the proper title certificates.

As further explained in the accounting policy for "Service concession arrangements" set out in Note 3.2 to the financial statements, the consideration paid by the Group for a service concession arrangement is accounted for as a financial asset (receivable under a service concession arrangement). The following is the summarised information of the financial asset component (receivables under service concession arrangements) with respect to the Group's service concession arrangements:

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables under service concession arrangements	151,222	302,499	1,442,294	–
Classified as held for sale *(Note 12)*	–	–	(1,442,294)	–
	151,222	302,499	–	–

Note: In respect of the Group's receivables under service concession arrangements, the various group companies have different credit policies, depending on the requirements of the locations in which they operate. Aged analyses of receivables under service concession arrangements are closely monitored in order to minimise any credit risk arising from the receivables.

An aged analysis of the Group's receivables under service concession arrangements as at the end of the Relevant Periods, based on the invoice date and net of impairment, is as follows:

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unbilled:				
Non-current portion	151,222	302,499	–	–

24. INVENTORIES

Group

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	185,945	201,038	167,883	83,546

Company

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	101,176	66,472	64,016	74,408

25. AMOUNTS DUE FROM/(TO) CONTRACT CUSTOMERS

Group

Construction contracts

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from contract customers	24,097,279	25,632,313	27,706,939	26,847,128
Amounts due to contract customers	(3,557,583)	(4,945,973)	(2,810,472)	(3,077,667)
	20,539,696	20,686,340	24,896,467	23,769,461

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses	106,473,822	134,868,815	167,198,147	189,814,311
Less: progress billings	(85,934,126)	(114,182,475)	(142,301,680)	(166,044,850)
	20,539,696	20,686,340	24,896,467	23,769,461

Company

Construction contracts

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from contract customers	18,101,498	19,902,882	22,986,729	21,450,221
Amounts due to contract customers	(2,393,779)	(3,448,918)	(2,223,653)	(2,242,523)
	15,707,719	16,453,964	20,763,076	19,207,698

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses	82,746,237	104,282,353	134,482,856	150,995,463
Less: progress billings	(67,038,518)	(87,828,389)	(113,719,780)	(131,787,765)
	15,707,719	16,453,964	20,763,076	19,207,698

26. PROPERTIES UNDER DEVELOPMENT

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount	1,047,691	2,372,622	3,182,608	3,604,501
Additions	1,568,166	1,364,972	1,139,339	868,331
Transferred to completed properties held for sale	(243,235)	(554,986)	(717,446)	(1,308,747)
	2,372,622	3,182,608	3,604,501	3,164,085

As of 31 December 2014, 2015 and 2016 and 30 June 2017, certain of the Group's properties under development with net carrying amounts of approximately RMB565,942,000, RMB760,527,000, RMB1,227,427,000 and RMB303,436,000, respectively, were pledged to secure bank facilities granted to the Group (Note 33).

27. COMPLETED PROPERTIES HELD FOR SALE

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at 1 January	447,130	596,081	773,463	816,426
Transferred from properties under development	243,235	554,986	717,446	1,308,747
Transferred to cost of properties sold	(94,284)	(377,604)	(674,483)	(667,711)
	596,081	773,463	816,426	1,457,462

28. TRADE AND BILLS RECEIVABLES

Trade receivables mainly represented receivables from construction contracting services. The payment terms are stipulated in relevant contracts. The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period offered by the Group is generally one to three months. 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade and bills receivables are non-interest-bearing.

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	6,975,006	10,542,356	11,465,571	11,421,549
Provision for impairment	(279,674)	(327,271)	(434,542)	(509,084)
Trade receivables, net	6,695,332	10,215,085	11,031,029	10,912,465
Bills receivable	30,368	126,247	252,750	228,162
	6,725,700	10,341,332	11,283,779	11,140,627
Portion classified as non-current assets	(599,703)	(542,482)	(506,404)	(455,992)
Current portion	6,125,997	9,798,850	10,777,375	10,684,635

At the end of the Relevant Periods, the amounts of retentions held by customers for contract works included in trade receivables for the Group are as follows:

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retentions in trade receivables	1,140,552	1,240,323	1,121,013	1,275,894
Provision for impairment	(60,372)	(74,782)	(94,812)	(58,874)
Retentions in trade receivables, net	1,080,180	1,165,541	1,026,201	1,217,020
Portion classified as non-current assets	(599,703)	(542,482)	(506,404)	(455,992)
Current portion	480,477	623,059	519,797	761,028

Company

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	5,000,501	7,353,321	8,294,172	6,872,154
Provision for impairment	(183,095)	(215,239)	(294,500)	(369,288)
Trade receivables, net	4,817,406	7,138,082	7,999,672	6,502,866
Bills receivable	24,300	61,501	138,317	180,984
	4,841,706	7,199,583	8,137,989	6,683,850
Portion classified as non-current assets	(558,191)	(518,444)	(484,038)	(437,204)
Current portion	4,283,515	6,681,139	7,653,951	6,246,646

At the end of the Relevant Periods, the amounts of retentions held by customers for contract works included in trade receivables for the Company are as follows:

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Retentions in trade receivables	927,929	1,129,154	953,016	1,155,430
Provision for impairment	(38,269)	(45,052)	(61,983)	(50,121)
Retentions in trade receivables, net	889,660	1,084,102	891,033	1,105,309
Portion classified as non-current assets	(558,191)	(518,444)	(484,038)	(437,204)
Current portion	331,469	565,658	406,995	668,105

An aged analysis of the Group's and the Company's trade receivables, other than retention receivables based on the billing date and net of provision for impairment of trade receivables, as at the end of the Relevant Periods is as follows:

Group

Trade receivables

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	5,039,158	8,201,563	8,985,762	4,153,830
3 months to 6 months	560,090	817,149	824,483	3,218,976
6 months to 1 year	2,372	21,703	57,261	2,156,492
Over 1 year	13,532	9,129	137,322	166,147
	5,615,152	9,049,544	10,004,828	9,695,445

Company

Trade receivables

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	3,463,794	5,374,827	6,287,131	2,260,902
3 months to 6 months	448,071	653,719	659,587	1,616,461
6 months to 1 year	2,351	20,436	55,709	1,404,328
Over 1 year	13,529	4,998	106,212	115,866
	3,927,745	6,053,980	7,108,639	5,397,557

Retention receivables held by contract customers arose from the construction work business and are settled within a period ranging from 2 years to 5 years after the completion of the construction work, as stipulated in the construction contracts. The due date for settlement of the Group's and the Company's retention receivables as at the end of the Relevant Periods is as follows:

Group

Retention receivable

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within one year	195,119	281,855	156,548	263,400
Due after one year	599,703	542,482	506,404	455,993
	794,822	824,337	662,952	719,393

Company

Retention receivable

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within one year	128,150	236,583	135,085	241,434
Due after one year	558,191	518,444	484,038	437,204
	686,341	755,027	619,123	678,638

The movements in provision for impairment of trade receivables are as follows:

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	233,086	279,674	327,271	434,542
Impairment losses recognised	46,588	47,597	116,255	74,542
Assets included in assets of disposal groups classified as held for sale	–	–	(8,984)	–
At end of the year/period	279,674	327,271	434,542	509,084

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB163,072,000, RMB165,647,000, RMB237,107,000 and RMB312,772,000 with aggregate carrying amounts before provision of RMB163,072,000, RMB165,647,000, RMB237,107,000 and RMB312,772,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the net carrying amounts of certain trade and bills receivables of the Group of approximately RMB250,643,000, RMB246,680,000, RMB210,766,000 and RMB43,403,000, respectively, were pledged to secure certain bank facilities granted to the Group (Note 33).

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	151,216	183,095	215,239	294,500
Impairment losses recognised	31,879	32,144	79,261	74,788
At end of the year/period	183,095	215,239	294,500	369,288

Included in the above provision for impairment of trade receivables are provisions for individually impaired trade receivables of RMB105,218,000, RMB107,793,000, RMB161,253,000 and RMB220,104,000 with aggregate carrying amounts before provision of RMB105,218,000, RMB107,793,000, RMB161,253,000 and RMB220,104,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the net carrying amounts of certain trade and bill receivables of the Company of approximately RMB250,643,000, RMB246,680,000, RMB210,766,000 and RMB43,403,000, respectively, were pledged to secure certain bank facilities granted to the Company.

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.

An aged analysis of the trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	794,822	824,337	662,952	719,393

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	686,341	755,027	619,123	678,640

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom that was no recent history of default.

Transferred financial assets that are not derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Endorsed Bills**") with a carrying amount of RMB1,128,000, RMB73,200,000, RMB146,319,000 and RMB137,539,000 (including those of the Company: RMB300,000, RMB34,900,000, RMB57,569,000 and RMB82,375,000) as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "**Endorsement**"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties. The aggregate carrying amounts of trade payables settled by the Endorsed Bills during the period to which the suppliers have recourse were RMB1,128,000, RMB73,200,000, RMB146,319,000 and RMB137,539,000 (including those of the Company: RMB300,000, RMB34,900,000, RMB57,569,000 and RMB82,375,000) as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

Transfer of financial assets that are derecognised in their entirety

The Group endorsed certain bills receivable accepted by banks in Mainland China (the "**Derecognised Bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB16,870,000, RMB32,640,000, RMB35,107,000 and RMB95,446,000 (including those of the Company: RMB16,870,000, RMB31,270,000, RMB32,957,000 and RMB59,640,000) as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively. The Derecognised Bills have a maturity of one to six months at the end of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills have a right of recourse against the Group if the PRC banks default (the "**Continuing Involvement**"). In the opinion of the Directors, the Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the Relevant Periods, the Group has not recognised any gain or loss on the date of transfer of the recognised bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

29. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As of 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables	2,853,073	2,919,997	2,563,580	2,828,291
Provision for impairment	(35,643)	(42,979)	(49,916)	(133,718)
Deposits and other receivables, net	2,817,430	2,877,018	2,513,664	2,694,573
Prepayment to suppliers	1,992,177	2,614,672	3,623,043	4,412,702
Dividend receivables	–	14,850	12,500	12,500
Other current assets	136,733	261,436	517,332	621,800
	4,946,340	5,767,976	6,666,539	7,741,575

Included in other receivables, loans provided to joint venture, associates, key management personnel and fellow subsidiary as at 31 December 2014, 2015 and 2016 and 30 June 2017 were RMB225,200,000, RMB211,739,000, RMB187,939,000 and RMB81,902,000, respectively, which were disclosed in Note 43 (c).

Company

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits and other receivables	1,889,926	1,763,493	487,352	3,027,842
Provision for impairment	(31,847)	(35,874)	(41,423)	(60,354)
Deposits and other receivables, net	1,858,079	1,727,619	445,929	2,967,488
Amount due from subsidiaries	3,486,051	3,882,813	4,070,109	1,777,516
Prepayment to suppliers	949,354	949,495	1,184,462	1,902,046
Dividend receivables	–	14,850	12,500	12,500
Other current assets	87,964	176,244	372,476	372,568
	6,381,448	6,751,021	6,085,476	7,032,118

Amount due from subsidiaries included in prepayments, deposits and other receivables are non-interest bearing and have no fixed term of repayment.

The movements in provision for impairment of deposits and other trade receivables are as follows:

Group

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	7,629	35,643	42,979	49,916
Impairment losses recognised	28,014	7,336	10,776	83,802
Assets included in assets of disposal group classified as held for sale	–	–	(3,839)	–
At end of the year/period	35,643	42,979	49,916	133,718

Included in the above provision for impairment of other receivables are provisions for individually impaired other receivables of approximately RMB6,789,000, RMB8,789,000, RMB21,372,000 and RMB70,284,000 with aggregate carrying amounts before provision of approximately RMB6,789,000, RMB8,789,000, RMB21,372,000 and RMB70,284,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively.

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	7,370	31,847	35,874	41,423
Impairment losses recognised	24,477	4,027	5,549	18,931
At end of the year/period	31,847	35,874	41,423	60,354

An aged analysis of the deposits and other trade receivables, that are neither individually nor collectively considered to be impaired, is as follows:

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	728,437	1,024,992	961,310	669,367

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Neither past due nor impaired	598,681	826,256	652,199	537,259

None of the balances except for the deposits and other receivables disclosed above is either past due or impaired, as they relate to balances for which there was no recent history of default.

30. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	1,460,971	2,737,355	4,621,979	2,951,141
Time deposits	1,229,761	1,601,447	1,051,819	1,168,938
Less: Pledged time deposits:				
Pledged for bank loans	(250,000)	(661,500)	–	–
Pledged for bills payables	(795,886)	(869,699)	(873,971)	(542,942)
Pledged for others	(42,382)	(50,445)	(131,020)	(147,221)
Cash and cash equivalents	1,602,464	2,757,158	4,668,807	3,429,916

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	1,001,697	1,930,251	3,684,966	1,865,981
Time deposits	904,582	1,277,888	745,179	854,765
Less: Pledged time deposits:				
Pledged for bank loans	(250,000)	(661,500)	–	–
Pledged for bills payables	(621,814)	(572,700)	(729,400)	(467,563)
Pledged for others	(32,768)	(24,480)	(15,779)	(43,913)
Cash and cash equivalents	1,001,697	1,949,459	3,684,966	2,209,270

The RMB is not freely convertible into other currencies. However, under Mainland China's prevailing rules and regulations over foreign exchange, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

31. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables, as at the end of the Relevant Periods, based on the invoice date, is as follows:

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	14,249,978	15,643,203	20,487,989	23,125,776
6 months to 1 year	8,779,685	12,876,161	14,385,480	10,922,545
1 to 2 years	3,100,025	3,324,626	3,040,337	2,572,176
2 to 3 years	1,373,273	1,277,954	1,729,461	1,017,189
Over 3 years	429,822	730,718	648,040	687,893
	27,932,783	33,852,662	40,291,307	38,325,579

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	9,728,272	11,264,461	18,267,735	18,561,152
6 months to 1 year	8,253,900	10,586,172	9,713,643	7,748,980
1 to 2 years	2,763,721	2,846,556	2,763,428	1,495,663
2 to 3 years	797,443	773,293	1,313,489	518,545
Over 3 years	344,193	124,085	366,322	355,702
	21,887,529	25,594,567	32,424,617	28,680,042

The trade payables are non-interest-bearing and are normally settled within 3 to 6 months.

32. OTHER PAYABLES, ADVANCES FROM CUSTOMERS AND ACCRUALS

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	925,657	1,485,480	2,882,729	2,844,662
Accrued salaries, wages and benefits	133,506	116,872	71,419	125,006
Other taxes payable	1,219,520	1,436,736	2,227,100	2,128,263
Other payables	2,566,559	2,378,738	2,406,627	2,337,671
Dividend payable	–	–	–	120,000
Interest payable	13,080	67,785	115,801	4,176
	4,858,322	5,485,611	7,703,676	7,559,778

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	438,593	494,852	17,656	81,890
Accrued salaries, wages and benefits	72,144	56,230	52,409	98,759
Other taxes payable	1,039,634	1,186,610	1,785,588	1,621,370
Other payables	2,564,867	2,938,339	1,772,015	2,330,503
Dividend payable	–	–	–	120,000
Interest payable	7,010	62,444	77,060	–
	4,122,248	4,738,475	3,704,728	4,252,522

33. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	As of 31 December								
	2014			2015			2016		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank – unsecured	6.0-10.8	2015	631,690	5.3-10.8	2016	633,760	4.8-9.0	2017	443,000
Bank – secured	5.6-10.8	2015	1,058,191	4.4-9.0	2016	1,590,450	4.7-9.0	2017	464,013
Other borrowings – unsecured	10.8-12.0	2015	110,000	–	2016	–	–	2017	–
Other borrowings – secured	4.9-7.2	2015	1,118,571	–	2016	1,019,050	–	2017	1,180,570
			2,918,452			3,243,260			2,087,583
Current portion of long term									
Bank – unsecured	7.2	2015	33,000	4.9-6.2	2016	26,500	–	–	–
Bank – secured	7.1-10.0	2015	172,690	6.1-7.4	2016	220,596	4.4-8.0	2017	699,930
Other borrowings – unsecured	10.0	2015	30,000	12.0	2016	228,000	4.3	2017	92,000
Other borrowings – secured	11.0-12.0	2015	332,637	6.4	2016	263,641	8.0-12.5	2017	436,747
			568,327			738,737			1,228,677
			3,486,779			3,981,997			3,316,260

	As of 31 December								
	2014			2015			2016		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Non-current									
Bank – unsecured	7.0	2022	155,000	4.9-6.2	2022-2023	218,000	5.7	2018	148,000
Bank – secured	7.0	2022	344,306	6.1-7.4	2017-2022	862,710	4.8-10.8	2018-2022	212,280
Other borrowings – unsecured	4.0	2017	138,000	4.3-12.5	2017	204,000	–	–	–
Other borrowings – secured	6.4-12.0	2016-2017	648,389	8.0-11.0	2017	204,747	5.7	2018	180,000
			1,285,695			1,489,457			540,280
			4,772,474			5,471,454			3,856,540

	As at 30 June 2017		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank – unsecured	4.8-9.5	2017-2018	299,000
Bank – secured	4.8-11.9	2017-2018	540,318
Other borrowings – unsecured	4.7-10.0	2017	71,000
Other borrowings – secured	4.7	2017	613,952
			1,524,270
Current portion of long term			
Bank – unsecured	10.8	2018	36,000
Bank – secured	6.1	2017-2018	20,890
Other borrowings – unsecured	4.3	2017	188,000
			244,890
Non-current			
Bank – unsecured	8.0	2019	158,000
Bank – secured	6.1	2022	197,330
Other borrowings – unsecured	10.0	2020	1,305,000
Other borrowings – secured	10.3	2019	340,000
			2,000,330
			3,769,490

	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	1,895,571	2,471,306	1,606,943	896,208
In the second year	129,996	572,710	152,500	158,000
In the third to fifth years, inclusive	214,310	–	–	197,330
Beyond five years	155,000	508,000	207,780	–
	2,394,877	3,552,016	1,967,223	1,251,538
Other borrowings repayable:				
Within one year	1,591,208	1,510,691	1,709,317	872,952
In the second year	370,000	408,747	180,000	340,000
In the third to fifth years, inclusive	370,000	–	–	1,305,000
Beyond five years	46,389	–	–	–
	2,377,597	1,919,438	1,889,317	2,517,952
	4,772,474	5,471,454	3,856,540	3,769,490

Company

	As of 31 December								
	2014			2015			2016		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Current									
Bank – unsecured	7.0-9.6	2015	329,000	5.3-7.8	2016	390,770	4.8-9.0	2017	280,000
Bank – secured	5.6-10.8	2015	946,191	4.4-9.0	2016	1,490,450	4.7-9.0	2017	414,013
Other borrowings – unsecured	12.0	2015	90,000	–	2016	–	–	2017	–
Other borrowings – secured	4.9-7.2	2015	749,000	–	2016	575,050	–	2017	930,000
			2,114,191			2,456,270			1,624,013
Current portion of long term									
Bank – unsecured	–	–	–	–	–	–	7.8	2017	30,000
Bank – secured	–	–	–	6.3-8.0	2016	100,000	5.7-8.0	2017	549,000
Other borrowings – unsecured	10.0	2015	30,000	12.0	2016	180,000	–	2017	–
Other borrowings – secured	12.0	2015	320,000	6.4-8.0	2016	250,000	8.0	2017	320,000
			350,000			530,000			899,000
			2,464,191			2,986,270			2,523,013

	As of 31 December								
	2014			2015			2016		
	Effective interest rate (%)	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*	*Effective interest rate (%)*	*Maturity*	*RMB'000*
Non-current									
Bank – unsecured	–	–	–	–	–	–	5.7	2018	88,500
Bank – secured	6.2-6.5	2016-2017	220,000	6.2-7.0	2017	470,000	4.8	2019	29,500
Other borrowings – secured	6.4-12.0	2016-2017	630,000	8.0	2017	200,000	12.0	2018	180,000
			850,000			670,000			298,000
			3,314,191			3,656,270			2,821,013

	As at 30 June 2017		
	Effective interest rate (%)	*Maturity*	*RMB'000*
Current			
Bank – unsecured	4.8-5.7	2017-2018	206,000
Bank – secured	5.4-11.9	2017-2018	498,318
Other borrowings – unsecured	4.7	2017	21,000
Other borrowings – secured	4.7	2017	545,382
			1,270,700

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	1,275,191	1,981,220	1,273,013	704,318
In the second year	70,000	470,000	118,000	–
In the third to fifth years, inclusive	150,000	–	–	–
	1,495,191	2,451,220	1,391,013	704,318
Other borrowings repayable:				
Within one year	1,189,000	1,005,050	1,250,000	566,382
In the second year	370,000	200,000	180,000	–
In the third to fifth years, inclusive	247,363	–	–	–
Beyond five years	12,637	–	–	–
	1,819,000	1,205,050	1,430,000	566,382
	3,314,191	3,656,270	2,821,013	1,270,700

Notes:

(a) Certain of the Group's buildings with a net carrying amount of approximately RMB6,513,000, RMB10,595,000, RMB570,000 and RMB14,839,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, were pledged to secure bank facilities granted to the Group.

(b) Certain of the Group's prepaid land lease with a net carrying amount of approximately RMB36,953,000, RMB56,443,000, RMB44,646,000 and RMB37,021,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, were pledged to secure bank facilities granted to the Group.

(c) Certain of the Group's properties under development with a net carrying amount of approximately RMB565,942,000, RMB760,527,000, RMB1,227,427,000 and RMB303,436,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, were pledged to secure bank facilities granted to the Group.

(d) Certain of the Group's trade and bills receivables with a net carrying amount of approximately RMB250,643,000, RMB246,680,000, RMB210,766,000 and RMB43,403,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, were pledged to secure bank facilities granted to the Group. Certain of the Group's pledged deposits with a net carrying amount of approximately RMB250,000,000, RMB661,500,000, nil and nil as at 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, were pledged to secure bank facilities granted to the Group.

(e) Certain of the Group's pledged deposits with a net carrying amount of approximately RMB250,000,000, RMB661,500,000, nil and nil as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, were pledged to secure bank facilities granted to the Group.

(f) Certain of the Group's investment properties with a net carrying amount of approximately nil, RMB133,853,000, nil and nil as of 31 December 2014, 2015 and 2016 and 30 June 2017, respectively, were pledged to secure bank facilities granted to the Group.

(g) As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's interest-bearing bank and other borrowings of RMB530,000,000, RMB668,000,000, RMB127,500,000 and RMB248,220,000, respectively, were jointly guaranteed by the controlling shareholder and other related parties of our Group.

34. SHARE CAPITAL

Group and Company

	As at 31 December			**As at 30 June**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share capital	1,200,000	1,200,000	1,200,000	1,300,000

The movements in share capital are as follows:

	Paid-in capital Year ended 31 December			**Share capital** *(Note ii)* **Six months ended 30 June**
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	550,000	1,200,000	1,200,000	1,200,000
Capital injection by shareholders *(Note i)*	650,000	–	–	100,000
At end of the year/period	1,200,000	1,200,000	1,200,000	1,300,000

Notes:

(i) Pursuant to the resolution passed by the board of directors in 2014, the Company's paid-in capital increased by RMB650,000,000. Further injection by shareholders in January 2017, the Company's paid-in capital increased to RMB1,300,000,000.

(ii) The Company was a limited liability company and converted into a joint stock company with limited liability in April 2017. The Company's equity of RMB1,554,254,000 was converted into share capital with an amount of RMB1,300,000,000 and capital reserve with an amount of RMB254,254,000 of the joint stock company with limited liability. The share capital of the Company upon conversion was RMB1,300,000,000, which was divided into 1,300,000,000 ordinary shares of RMB1 each.

35. RESERVES

Statutory surplus reserve

In accordance with the PRC Company Law, certain subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the PRC Company Law, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(b) Company

	Capital	Statutory surplus reserve	Special reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2014	–	91,131	–	393,040	484,171
Profit and total comprehensive income for the year	–	–	–	358,616	358,616
Appropriation to surplus reserve	–	35,861	–	(35,861)	–
Dividends declared and paid	–	–	–	(304,000)	(304,000)
Transfer to special reserve	–	–	388,910	(388,910)	–
Utilisation of special reserve	–	–	(388,910)	388,910	–
As at 31 December 2014 and 1 January 2015	–	126,992	–	411,795	538,787
Profit and total comprehensive income for the year	–	–	–	322,277	322,277
Appropriation to surplus reserve	–	32,228	–	(32,228)	–
Dividends declared and paid	–	–	–	(176,000)	(176,000)
Transfer to special reserve	–	–	416,272	(416,272)	–
Utilisation of special reserve	–	–	(416,272)	416,272	–
As at 31 December 2015 and 1 January 2016	–	159,220	–	525,844	685,064
Profit and total comprehensive income for the year	–	–	–	841,597	841,597
Appropriation to surplus reserve	–	84,160	–	(84,160)	–
Dividends declared and paid	–	–	–	(14,850)	(14,850)
Transfer to special reserve	–	–	580,217	(580,217)	–
Utilisation of special reserve	–	–	(580,217)	580,217	–
As at 31 December 2016 and 1 January 2017	–	243,380	–	1,268,431	1,511,811
Profit and total comprehensive income for the period	–	–	–	963,860	963,860
Appropriation to surplus reserve	–	60,148	–	(60,148)	–
Dividends declared	–	–	–	(1,151,400)	(1,151,400)
Capitalisation of retained profits and statutory surplus reverse	254,254	(253,511)	–	(743)	–
Transfer to special reserve	–	–	304,975	(304,975)	–
Utilisation of special reserve	–	–	(304,975)	304,975	–
As at 30 June 2017	254,254	50,017	–	1,020,000	1,324,271

36. DISPOSAL OF SUBSIDIARIES

On 3 April 2014, the Group disposed of its entire equity interest in its subsidiary, Hebei Construction Group XiangHeShengShi Property Development Co., Ltd., for a consideration of RMB28,000,000.

On 25 June 2016, the Group disposed of its entire equity interest in its subsidiary, Baoding Tiancheng Property Development Co., Ltd., for a consideration of RMB1,000,000.

On 19 December 2016, the Group disposed of its entire equity interest in its subsidiary, Baoding Hanhua New Energy Technology Co., Ltd., for a consideration of RMB18,500,000.

	Note	**2014**	**2016**
		RMB'000	*RMB'000*
Net assets disposed of:			
Property, plant and equipment		432	135
Construction in progress		–	10,271
Cash and cash equivalents		8,665	1,522
Prepayments, deposit and other receivables		57,221	17,389
Prepaid land lease payments		–	6,164
Deferred tax assets		–	1,685
Inventories		748,653	–
Trade and bills payables		(186,237)	–
Other payables, advance from customers and accruals		(617,585)	(22,239)
Tax payable		(3)	–
Non-controlling interests		(5,462)	(3,373)
		5,684	11,554
Gain on disposal of subsidiaries	*6*	22,316	7,946
		28,000	19,500
Satisfied by			
Other receivables		18,000	–
Cash		10,000	19,500
		28,000	19,500

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2014	**2016**
	RMB'000	*RMB'000*
Cash consideration	10,000	19,500
Cash and bank balances disposed of	(8,665)	(1,522)
Net inflow of cash and cash equivalents In respect of the disposal of subsidiaries	1,335	17,978

37. FINANCIAL GUARANTEE CONTRACTS

At the end of each of the Relevant Periods, contingent liabilities provided for in the financial statements were as follows:

Group

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to:				
– Third parties	270,000	694,000	1,196,280	1,164,980

As of 31 December 2014, 2015 and 2016 and 30 June 2017, the bank facilities granted to third parties subject to guarantees given to banks by the Group were utilised to the extent of approximately RMB270,000,000, RMB694,000,000, RMB1,124,980,000 and RMB1,155,280,000, respectively.

Company

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees given to banks in connection with facilities granted to:				
– Third parties	260,000	635,000	996,280	874,980
– Subsidiaries	286,000	387,000	1,293,770	1,053,220
	546,000	1,022,000	2,290,050	1,928,200

As of 31 December 2014, 2015 and 2016 and 30 June 2017, the bank facilities granted to third parties subject to guarantees given to banks by the Group were utilised to the extent of approximately RMB260,000,000, RMB635,000,000, RMB924,980,000 and RMB865,280,000, respectively.

As of 31 December 2014, 2015 and 2016 and 30 June 2017, the bank facilities granted to subsidiaries subject to guarantees given to banks by the Group were utilised to the extent of approximately RMB286,000,000, RMB370,500,000, RMB1,230,170,000 and RMB1,053,220,000, respectively.

The balance of financial guarantee contracts are as follows:

Group

As at 31 December			As at 30 June
2014	**2015**	**2016**	**2017**
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
3,737	6,836	20,104	15,529

Company

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	158,505	151,834	250,267	19,272

38. PLEDGE OF ASSETS

Details of the Group's bank loans which are pledged by the assets of the Group, are included in Note 33.

39. CONTINGENT LIABILITIES

The Group has provided guarantees in respect of mortgage facilities for certain purchasers of the Group's properties amounting to approximately RMB19,965,000, RMB347,948,000, RMB1,477,060,000 and RMB1,688,546,000 as of 31 December 2014, 2015 and 2016 and 30 June 2017, 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.

40. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOW

Reconciliation of liabilities arising from financing activities:

	As of 31 December 2013	Cash flows	As of 31 December 2014	Cash flows	As of 31 December 2015	Cash flows	Liabilities directly associated with the assets classified as held for sale	As of 31 December 2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest bearing bank and other borrowings	2,986,526	1,785,948	4,772,474	698,980	5,471,454	(452,644)	(1,162,270)	3,856,540
Loans from related parties	38,620	(12,100)	26,520	25,640	52,160	6,800	–	58,960

	As of 31 December 2016	Cash flows	As of 30 June 2017
	RMB'000	*RMB'000*	*RMB'000*
Interest bearing bank and other borrowings	3,856,540	(87,050)	3,769,490
Loans from related parties	58,960	(58,960)	–

41. OPERATING LEASE ARRANGEMENTS

As lessor

The Group leases its investment properties (Note 17) under operating lease arrangements, with leases negotiated for terms ranging from 2 to 18 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the relevant Periods, the Group had the following total future minimum lease receivables under non-cancellable operating leases falling due as follows:

Group

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	5,269	6,256	7,067	2,882
In the second to fifth years, inclusive	24,799	22,583	17,714	5,689
After five years	13,905	9,866	7,667	–
	43,973	38,705	32,448	8,571

Company

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	5,269	6,256	7,067	2,880
In the second to fifth years, inclusive	24,799	22,583	17,714	5,680
After five years	13,905	9,866	7,667	–
	43,973	38,705	32,448	8,560

During the Relevant Periods, the Group recognised RMB520,000, RMB253,000, RMB35,000 and nil, respectively, in respect of contingent rental receivables.

As lessee

At the end of the Relevant Periods, the Group had the following total future minimum lease payments under non-cancellable operating leases falling due as follows:

Group

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	5,190	5,297	4,925	9,204
In the second to fifth years, inclusive	14,605	10,934	7,066	5,216
After five years	13,709	12,082	11,026	1,183
	33,504	28,313	23,017	15,603

Company

	As of 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	4,360	4,068	3,709	8,991
In the second to fifth years, inclusive	11,239	8,416	5,382	4,950
After five years	4,127	2,882	2,208	1,183
	19,726	15,366	11,299	15,124

42. COMMITMENTS

In addition to the operating lease commitments detailed in Note 41 above, the Group had the following commitments at the end of the Relevant Periods:

Group

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Properties under development	2,395,032	1,697,838	1,338,916	535,597
Property, plant and equipment	17,578	24,129	8,298	14,957
	2,412,610	1,721,967	1,347,214	550,554

Company

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	16,320	23,625	3,267	14,696

43. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the Relevant Periods:

		Year ended 31 December			Six months ended 30 June	
		2014	2015	2016	2016	2017
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)	*RMB'000*
Joint venture						
Interest bearing borrowing provided to	*(i)*	50,000	1,500	6,000	3,000	51,500
Interest income		8,383	10,883	10,900	5,450	2,483
Repayment of the borrowing provided to		–	–	–	–	90,000
Associates						
Construction contracting service provided to	*(ii)*	23,930	108,912	10,104	6,839	13,445
Interest bearing borrowing from	*(iii)*	138,000	–	–	–	–
Repayment of interest bearing borrowing		138,000	46,000	–	–	–
Interest bearing borrowing provided to	*(iv)*	115,000	10,000	–	–	–
Repayment of the borrowing provided to		–	24,961	30,000	–	90,039
Interest expense		5,759	4,868	3,697	1,848	2,002
Interest income		14,044	13,205	10,966	5,483	–
Key management personnel						
Sale of properties	*(ii)*	–	1,203	–	–	4,592
Interest bearing borrowing from	*(v)*	2,850	26,850	8,040	7,380	–
Repayment of interest bearing borrowing from		14,950	1,210	1,240	1,240	58,960
Advance to		–	–	200	–	–
Interest expense		3,862	2,652	5,216	2,608	–
Fellow Subsidiary						
Construction contracting services provided to		–	–	–	–	81
Purchase of goods and service		–	–	–	–	672,759
Purchase of rental service from		–	–	–	–	2,997
Interest bearing borrowing from	*(vi)*	–	–	–	–	1,910,000
Repayment of interest bearing borrowing from		–	–	–	–	605,000
Interest expense		–	–	–	–	21,803

Notes:

(i) The Group holds 50% equity interest in the joint venture of Qianan Modern Service Park Co., Ltd. with the investment cost of RMB3,000,000. The Group has discontinued the recognition of its share of losses of the joint venture because the share of losses of the joint venture exceeded the Group's interest in the joint venture and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this joint venture for the Relevant Periods were RMB4,556,000, RMB10,816,000, RMB15,971,000 and nil, respectively.

On 20 May 2014, the Group provided the entrusted loan of RMB50,000,000 to the joint venture which bears the interest rate of 15% and will mature on 19 May 2017.

The borrowings provided to the joint venture in 2015 and 2016 bears the annum interest rate of 12% and was repayable within one year.

On 18 May 2017, the Group provided loan of RMB51,500,000 to the joint venture which bears the annum interest rate of 15% and will mature on 31 December 2017.

(ii) These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(iii) The borrowing from associate bears the annum interest rate of 4.305%, and will mature on 19 November 2017.

(iv) The borrowing to associate bears the annum interest rate from 7.2% to 7.8%, and are repayable on within one year.

(v) The borrowing from key management personnel bears the annum interest rate approximate 10% and are repayable on demand.

(vi) The borrowing from fellow subsidiary bears the annum interest rate of 7%, and will mature on 5 June 2020.

(b) Other transactions with related parties

As at 31 December 2014, 2015 and 2016 and 30 June 2017, the Group's interest-bearing bank and other borrowings of RMB530,000,000, RMB668,000,000, RMB127,500,000 and RMB248,220,000, respectively, were guaranteed or jointly guaranteed by the controlling shareholder and other related parties of our Group.

(c) Outstanding balances with related parties:

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables:				
Associates	477	13,453	23,037	11,365
Amount due from contract customers:				
Associates	31,276	65,977	9,447	14,173
Fellow subsidiary	–	–	–	1,131
Prepayments, deposits and other receivables:				
Joint venture	90,000	91,500	97,500	60,122
Associates	135,000	120,039	90,039	–
Key management personnel	200	200	400	–
Fellow subsidiary	–	–	–	21,780
Amount due to contract customers:				
Associates	1,974	4,116	405	118
Fellow subsidiary	–	–	–	22
Advances from customers:				
Associates	–	18,234	–	–
Key management personnel	1,261	557	5,222	2,033
Other payables:				
Key management personnel	26,520	52,160	58,960	–
Fellow subsidiary	–	–	–	21,984
Interest bearing bank and other borrowings:				
Associates	138,000	92,000	92,000	92,000
Fellow subsidiary	–	–	–	1,305,000
Accounts payable:				
Fellow subsidiary	–	–	–	490,687

44. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale financial investments:				
Available-for-sale investments	242,400	242,400	148,500	188,500
Loans and receivables:				
Trade and bills receivables	6,725,700	10,341,332	11,283,779	11,140,627
Financial assets included in deposits and other receivables	2,817,430	2,877,018	2,513,664	2,694,573
Pledged deposits	1,088,268	1,581,644	1,004,991	690,163
Cash and cash equivalents	1,602,464	2,757,158	4,668,807	3,429,916
	12,476,262	17,799,552	19,619,741	18,143,779
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and bills payables	27,932,783	33,852,662	40,291,307	38,325,579
Financial liabilities included in other payables, advances from customers and accruals	2,579,639	2,446,523	2,522,428	2,461,847
Interest-bearing bank and other borrowings	4,772,474	5,471,454	3,856,540	3,769,490
	35,284,896	41,770,639	46,670,275	44,556,916

Company

	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Available-for-sale financial investments:				
Available-for-sale investments	238,550	238,550	148,500	188,500
Loans and receivables:				
Trade and bills receivables	4,841,706	7,199,583	8,137,989	6,683,850
Financial assets included in deposits and other receivables	5,344,130	5,610,432	4,516,038	4,745,004
Pledged deposits	904,582	1,258,680	745,179	511,476
Cash and cash equivalents	1,001,697	1,949,459	3,684,966	2,209,270
	12,330,665	16,256,704	17,232,672	14,338,100
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and bills payables	21,887,529	25,594,567	32,424,617	28,680,042
Financial liabilities included in other payables, advances from customers and accruals	2,571,877	3,000,783	1,849,075	2,450,503
Interest-bearing bank and other borrowings	3,314,191	3,656,270	2,821,013	1,270,700
	27,773,597	32,251,620	37,094,705	32,401,245

45. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values as at the end of the Relevant Periods, are as follows:

Group

	Carrying amount			
	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade and bills receivables, non-current portion	599,703	542,482	506,404	455,992

	Fair value			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade and bills receivables, non-current portion	571,146	516,650	482,290	434,279

	Carrying amount			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Bank and other borrowings, non-current portion	1,285,695	1,489,457	540,280	2,000,330

	Fair value			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Bank and other borrowings, non-current portion	1,224,471	1,418,530	514,552	1,905,076

Company

	Carrying amount			
	As at 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade and bills receivables, non-current portion	558,191	518,444	484,038	437,204

	Fair value			
	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables:				
Trade and bills receivables, non-current portion	531,610	493,756	460,989	416,385

	Carrying amount			
	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Bank and other borrowings, non-current portion	850,000	670,000	298,000	–

	Fair value			
	As of 31 December			As at 30 June
	2014	2015	2016	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities				
Bank and other borrowings, non-current portion	809,524	638,095	283,809	–

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, the current portion of trade and bills receivables, trade payables, the current portion of interest-bearing bank loans and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the Relevant Periods, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the non-current portion of trade and bills receivables and the non-current portion of interest-bearing bank and other 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 the non-current portion of interest-bearing bank and other borrowings as at the end of the Relevant Periods was assessed to be insignificant.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade and bills payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to 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 these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and the Company's profit before tax (through the impact on floating rate borrowings).

Group

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		RMB'000
Year ended 31 December 2014		
The benchmark deposit and lending rate of RMB	100	(17,417)
The benchmark deposit and lending rate of RMB	(100)	17,417
Year ended 31 December 2015		
The benchmark deposit and lending rate of RMB	100	(26,639)
The benchmark deposit and lending rate of RMB	(100)	26,639
Year ended 31 December 2016		
The benchmark deposit and lending rate of RMB	100	(32,906)
The benchmark deposit and lending rate of RMB	(100)	32,906
Six months ended 30 June 2017		
The benchmark deposit and lending rate of RMB	100	(14,880)
The benchmark deposit and lending rate of RMB	(100)	14,880

Company

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax
		RMB'000
Year ended 31 December 2014		
The benchmark deposit and lending rate of RMB	100	(14,913)
The benchmark deposit and lending rate of RMB	(100)	14,913
Year ended 31 December 2015		
The benchmark deposit and lending rate of RMB	100	(22,627)
The benchmark deposit and lending rate of RMB	(100)	22,627
Year ended 31 December 2016		
The benchmark deposit and lending rate of RMB	100	(25,478)
The benchmark deposit and lending rate of RMB	(100)	25,478
Six months ended 30 June 2017		
The benchmark deposit and lending rate of RMB	100	(12,453)
The benchmark deposit and lending rate of RMB	(100)	12,453

Credit risk

The carrying amounts of cash and bank balances, pledged deposits, trade and bills receivables, and financial assets included in prepayments, deposits and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets. Substantially all of the Group's cash and cash equivalents and pledged deposits are held in major financial institutions located in Mainland China, which management believes are of high credit quality. The Group has policies to control the size of the deposits to be placed with various reputable financial institutions according to their market reputation, operating scale and financial background with a view to limiting the amount of credit exposure to any single financial institution.

The Group trades only with recognised and creditworthy customers with no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in Note 28 to the Historical Financial Information.

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 the Relevant Periods, based on the contractual undiscounted payments, is as follows:

Group

	Within 1 year	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2014				
Trade and bills payables	27,932,783	–	–	27,932,783
Financial liabilities included in other payables, advances from customers and accruals	2,579,639	–	–	2,579,639
Interest-bearing bank and other borrowings	3,713,450	1,311,091	196,305	5,220,846
Guarantees given to banks in connection with facilities granted to third parties	270,000	–	–	270,000
Total	34,495,872	1,311,091	196,305	36,003,268
31 December 2015				
Trade and bills payables	33,852,662	–	–	33,852,662
Financial liabilities included in other payables, advances from customers and accruals	2,446,523	–	–	2,446,523
Interest-bearing bank and other borrowings	4,204,316	1,168,308	553,573	5,926,197
Guarantees given to banks in connection with facilities granted to third parties	694,000	–	–	694,000
Total	41,197,501	1,168,308	553,573	42,919,382
31 December 2016				
Trade and bills payables	40,291,307	–	–	40,291,307
Financial liabilities included in other payables, advances from customers and accruals	2,522,428	–	–	2,522,428
Interest-bearing bank and other borrowings	3,450,605	389,434	229,227	4,069,266
Guarantees given to banks in connection with facilities granted to third parties	1,124,980	–	–	1,124,980
Total	47,389,320	389,434	229,227	48,007,981
30 June 2017				
Trade and bills payables	38,325,579	–	–	38,325,579
Financial liabilities included in other payables, advances from customers and accruals	2,461,847	–	–	2,461,847
Interest-bearing bank and other borrowings	1,769,160	2,000,330	–	3,769,490
Guarantees given to banks in connection with facilities granted to third parties	1,155,280	–	–	1,155,280
Total	43,711,866	2,000,330	–	45,712,196

Company

	Within 1 year	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2014			
Trade and bills payables	21,887,529	–	21,887,529
Financial liabilities included in other payables, advances from customers and accruals	2,571,877	–	2,571,877
Interest-bearing bank and other borrowings	2,629,468	921,204	3,550,672
Guarantees given to banks in connection with facilities granted to third parties	260,000	–	260,000
Guarantees given to banks in connection with facilities granted to subsidiaries	286,000	–	286,000
Total	27,634,874	921,204	28,556,078
31 December 2015			
Trade and bills payables	25,594,567	–	25,594,567
Financial liabilities included in other payables, advances from customers and accruals	3,000,783	–	3,000,783
Interest-bearing bank and other borrowings	3,119,182	693,533	3,812,715
Guarantees given to banks in connection with facilities granted to third parties	635,000	–	635,000
Guarantees given to banks in connection with facilities granted to subsidiaries	370,500	–	370,500
Total	32,720,032	693,533	33,413,565
31 December 2016			
Trade and bills payables	32,424,617	–	32,424,617
Financial liabilities included in other payables, advances from customers and accruals	1,849,075	–	1,849,075
Interest-bearing bank and other borrowings	2,615,390	310,289	2,925,679
Guarantees given to banks in connection with facilities granted to third parties	924,980	–	924,980
Guarantees given to banks in connection with facilities granted to subsidiaries	1,230,170	–	1,230,170
Total	39,044,232	310,289	39,354,521
30 June 2017			
Trade and bills payables	28,680,042	–	28,680,042
Financial liabilities included in other payables, advances from customers and accruals	2,450,503	–	2,450,503
Interest-bearing bank and other borrowings	1,270,700		1,270,700
Guarantees given to banks in connection with facilities granted to third parties	865,280	–	865,280
Guarantees given to banks in connection with facilities granted to subsidiaries	1,053,220	–	1,053,220
Total	34,319,745	–	34,319,745

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. The Group is not subject to any externally capital requirements. 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 total interest-bearing bank and other borrowings divided by total equity. Total equity includes the equity attributable to owners of the parent and non-controlling interests stated in the consolidated statements of financial position.

The Group's strategy is to maintain the gearing ratio at a healthy capital 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 the Relevant Periods are as follows:

	As at 31 December			As at 30 June
	2014	**2015**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings *(Note 33)*	4,772,474	5,471,454	3,856,540	3,769,490
Total equity	1,946,125	2,171,769	3,089,678	2,468,331
Gearing ratio	245%	252%	125%	153%

47. SUBSEQUENT EVENT

On 10 Nov 2017, the Group declared a special dividend of RMB500,000,000 to our then shareholders, such dividend is expected to be paid before the Listing.

48. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 June 2017.

This information set forth in this Appendix II does not form part of the accountants' report prepared by Ernst & Young, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I in this Prospectus, and is included herein for information only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this Prospectus and the accountants' report set forth in Appendix I in the prospectus.

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 of June 30, 2017, as if the Global Offering had taken place on June 30, 2017.

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 of June 30, 2017 or at any future date.

	Consolidated net tangible assets attributable to Shareholders of the Company as of June 30, 2017(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$4.46 per Share	2,286,071	1,560,277	3,846,348	2.22	2.63
Based on an Offer Price of HK$5.36 per Share	2,286,071	1,877,804	4,163,875	2.40	2.85

Note:

(1) The consolidated net tangible assets attributable to the Shareholders of the Company as of June 30, 2017 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 of June 30, 2017 of RMB2,286.1 million after deducting intangible assets and goodwill of nil and nil. The unaudited pro forma adjusted consolidated net tangible assets of the Company does not take into account of a special dividend of RMB500.0 million declared on November 10, 2017 by our Company. Such dividend is expected to be paid to our then Shareholders before the Listing. Had the special dividend been taken into account, the unaudited pro forma adjusted consolidated net tangible assets per Share would be HK$2.29 (assuming an Offer Price of HK$4.46 per Share) and HK$2.51 (assuming an Offer Price of HK$5.36 per Share), respectively.

(2) The estimated net proceeds from the Global Offering are based on an Offer Price of HK$4.46 and HK$5.36, 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 HK$1.00 = RMB0.84377 prevailing on November 27, 2017.

(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 1,733,334,000 Shares, being the number of shares in issue assuming that the Global Offering had been completed on June 30, 2017, 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 HK$1.00 = RMB0.84377 prevailing on November 27, 2017.

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

EY 安永

22nd Floor
CITIC Tower
1 Tim Mei Avenue Central
Hong Kong

To the Directors of Hebei Construction Group Corporation Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Hebei Construction Group Corporation 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 of June 30, 2017 and related notes as set out on pages II-1 to II-2 of this Prospectus dated December 5, 2017 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 shares of the Company on the Group's financial position as of June 30, 2017 as if the transaction had taken place at June 30, 2017. 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 June 30, 2017, 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 shares 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,
Ernst & Young
Certified Public Accountants
Hong Kong
5 December 2017

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 of September 30, 2017 of the selected property interests held by Hebei Construction Group Corporation Limited.

JLL 仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

The Board of Directors
Hebei Construction Group Corporation Limited
No. 329, Wusixi Road
Baoding City
Hebei Province
PRC

December 5, 2017

Dear Sirs,

In accordance with your instructions to value the selected property interests held by **Hebei Construction Group Corporation 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 property interests as of September 30, 2017 (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. In this report, the selected property interests we valued are those property interests relating to "property activities" and with a carrying amount above 1% of the Group's total assets. The total carrying amount of property interests not valued does not exceed 10% of the Group's total assets. 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 and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the properties held by the Group for sale and for future development 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 or are in the process of application, 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 real estate 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, this also includes those property interests which the State-owned Land Use Rights Grant Contract have been signed, but the State-owned Land Use Rights Certificates have not been issued.

In valuing the property interests that are currently under development, 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, real estate developments under development are those for which the Construction Works Commencement Permits have been issued while the Construction Works Certified Reports or Certificates of Completion of the buildings have not been issued.

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 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 the PRC 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 the PRC.

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 properties are 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 May and August 2017 by Ms. Chris Yu who is a China Certified Real Estate Appraiser having 9 years' experience in the property valuation in the PRC and Mr. Harrison Zhu who has 1 year's experience in the property valuation in the PRC.

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.

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)
Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 23 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: Properties held under development by the Group in the PRC

Group III: Properties held for future development by the Group in the PRC

–: Not Available or Not Applicable

No.	Property [1]	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date
		RMB	*RMB*	*RMB*	*RMB*
		Group I:	**Group II:**	**Group III:**	
1.	Project Wetland (威蘭德小鎮) located at the junction of Shuangnan Street and Baihe Road Shuangliu District Chengdu City Sichuan Province The PRC	378,000,000[2]	–	748,000,000	1,126,000,000
2.	Project Zhongcheng Jingdian (中誠晶典) located at the west of Fujiang Street and the south of Tianyuan Road Jingxiu District Baoding City Hebei Province The PRC	527,000,000	–	4,000,000	531,000,000

No.	Property [1]	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date
		RMB	*RMB*	*RMB*	*RMB*
		Group I:	**Group II:**	**Group III:**	
3.	Project Langton Manor (蘭頓莊園) located at the south of Fuqian East Street and the east of Changcheng North Road Shacheng Town Huailai County Zhangjiakou City Hebei Province The PRC	160,000,000	820,000,000	–	980,000,000
	Total:	**1,065,000,000**	**820,000,000**	**752,000,000**	**2,637,000,000**

Notes:

(1) Each property does not include the portions which have been sold out before the valuation date and the proceeds from which have already been recognized as revenue.

(2) For the 283 car parking spaces occupying the civil air defense basement, we have not attributed any commercial value to them. However, for reference purpose, we are of the opinion that the market value of them as at the valuation date would be RMB17,000,000 assuming these car parking spaces can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
1.	Project Wetland (威蘭德小鎮) located at the junction of Shuangnan Street and Baihe Road Shuangliu District Chengdu City Sichuan Province The PRC	Project Wetland is located at the southwest of Chengdu City, a newly developed area where public facilities around and public transportation network are being further improved. It occupies 4 parcels of land with a total site area of approximately 132,021.34 sq.m. which will be developed into a residential and commercial development with a total planned gross floor area of approximately 528,085.36 sq.m. Phase I of the project was completed in March 2017 and the construction works of Phases II to IV have not been commenced. The property comprises the unsold units of Phase I with a total gross floor area of approximately 45,423.96 sq.m. and Phases II to IV with a total site area of approximately 99,124.55 sq.m. The gross floor area of the property is set out in note 7 and note 8. The land use rights of the project have been granted for terms expiring on November 28, 2081 for residential use and November 28, 2051 for commercial use.	The unsold units of Phase I is currently vacant for sale and Phases II to IV are the bare land for future development.	1,126,000,000 *(refer to note 12)*

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated December 26, 2011, the land use rights of 4 parcels of land with a total site area of approximately 132,021.34 sq.m. were contracted to be granted to Chengdu New Era Tiancheng Properties Co., Ltd. (成都新時代天誠置業有限公司, "**Chengdu New Era**", a wholly-owned subsidiary of the Company) for terms of 70 years for residential use and 40 years for commercial use. The total land premium was RMB356,457,600. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 4 State-owned Land Use Rights Certificates – Shuang Guo Yong (2013) Di Nos. 19447 and 19453 to 19455, the land use rights of 4 parcels of land with a total site area of approximately 132,021.34 sq.m. have been granted to Chengdu New Era for terms expiring on November 28, 2081 for residential use and November 28, 2051 for commercial use.

3. Pursuant to a Construction Work Planning Permit – Jian Zi Di No. 510122201431008, in favor of Chengdu New Era, Phase I of Project Wetland with a total gross floor area of approximately 136,378.75 sq.m. has been approved for construction.

4. Pursuant to a Construction Work Commencement Permit – Shuang Shi (2014) No. 053, in favor of Chengdu New Era, permission by the relevant local authority was given to commence the construction of Phase I of Project Wetland with a total gross floor area of approximately 136,378.75 sq.m.

5. Pursuant to 5 Pre-sales Permits – Cheng Fang Yu Shou Shuang Zi Di Nos. 13327, 13455, 13540, 13614 and 13629 in favor of Chengdu New Era, the Group is entitled to sell residential and commercial buildings of Phase I of Project Wetland (representing a total gross floor area of approximately 105,781.61 sq.m.) to purchasers.

6. Pursuant to 12 Construction Work Completion and Inspection Acceptance Certificates/Tables – 2017-146 to 2017-157, Phase I of Project Wetland with a total gross floor area of approximately 136,925.03 sq.m. has been completed and passed the inspection acceptance.

7. According to the information provided by the Group, the gross floor area of the unsold units of Phase I of the property is set out as below:

Phase	**Usage**	**Gross Floor Area**	**Nos. of Car Parking Spaces**
		(sq.m.)	
Phase I (Unsold portion only)	Residential	5,808.17	
	Retail	15,658.00	
	Underground car parking spaces	16,727.57	619
	Civil air defense area	7,230.22	283
	Grand-total:	**45,423.96**	**902**

8. For Phase II to IV, the total planned plot ratio accountable gross floor area is approximately 396,498.20 sq.m. which is derived from the site area and plot ratio noted on the State-Owned Land Use Rights Grant Contract.

9. As advised by the Group, 66 residential units and 6 retail units with a total gross floor area of approximately 5,753.93 sq.m. of Phase I have been pre-sold to various third parties at a total consideration of RMB38,000,000. 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. 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 RMB6,000 per sq.m. for residential units, RMB12,000 to RMB35,000 per sq.m. for retail units and RMB70,000 to RMB110,000 per car parking space. 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 ranges from RMB1,200 to RMB1,900 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.

11. 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 4 parcels of land mentioned in note 1 in full and obtained the State-owned Land Use Rights Certificates; and the Group is entitled to occupy, use, lease, mortgage, transfer and dispose of the 4 parcels of land; and

    b. the Group has obtained from local authorities the requisite approvals in respect of the development, construction and sale of the property and the approvals are legal and valid.

12. 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 for Phase I	Yes
d.	Construction Work Commencement Permit for Phase I	Yes
e.	Pre-sale Permit for Phase I	Yes
f.	Construction Work Completion and Inspection Certificate/Table for Phase I	Yes
g.	Building Ownership Certificate	N/A(1)

(1) the properties are held for sale or will be sold to third parties, therefore the building ownership certificates are currently not necessary or available to the Company.

13. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Phase**	**Market value in existing state as at the valuation date**
		(RMB)
Group I – held for sale by the Group	Phase I	378,000,000*
Group II – held under development by the Group	–	–
Group III – held for future development by the Group	Phases II to IV	748,000,000
Grand-total:		**1,126,000,000**

* In the valuation of this property, there are 283 car parking spaces with a total gross floor area of approximately 7,230.22 sq.m. occupying the civil air defense basement, we have not attributed any commercial value to these car parking spaces. However, for reference purpose, we are of the opinion that the market value of them as at the valuation date would be RMB17,000,000 assuming these car parking spaces can be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
2.	Project Zhongcheng Jingdian (中誠晶典) located at the west of Fujiang Street and the south of Tianyuan Road Jingxiu District Baoding City Hebei Province The PRC	Project Zhongcheng Jingdian is located at the west of Baoding City, a newly developed area where public facilities around and public transportation network are being further improved. It occupies 2 parcels of land with a total site area of approximately 58,643.00 sq.m. which will be developed into a residential and commercial development with a total planned gross floor area of approximately 249,282.68 sq.m. The project will be divided into two parts. Part A of the project (including 10 residential buildings, a kindergarten and various ancillary facilities) was completed in May 2017 and Part B is the bare land for constructing 2 commercial buildings in the future. The property comprises the unsold units of Part A with a total gross floor area of approximately 171,428.69 sq.m. and Part B with a total site area of approximately 876.00 sq.m. The gross floor area of the property is set out in note 7. The land use rights of Project Zhongcheng Jingdian have been granted for terms expiring on September 1, 2055 for commercial use and September 1, 2085 for residential use.	The unsold units of Part A of the property is currently vacant for sale and Part B is the bare land for future development.	531,000,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated August 27, 2015 and a Supplemental Agreement dated September 29, 2015, the land use rights of a parcel of land with a site area of approximately 58,643.00 sq.m. were contracted to be granted to Zhongcheng Real Estate Development Co., Ltd. (中誠房地產開發股份有限公司, "**Zhongcheng Real Estate**", a wholly-owned subsidiary of the Company) for terms of 40 years for commercial use and 70 years for residential use. The total land premium was RMB246,310,000. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 2 State-owned Land Use Rights Certificates – Bao Ding Shi Guo Yong (2015) Di Nos. 130600-006902 and 130600-006903, the land use rights of 2 parcels of land with a total site area of approximately 58,643.00 sq.m. have been granted to Zhongcheng Real Estate for terms expiring on September 1, 2085 for residential use and September 1, 2055 for commercial use.

3. Pursuant to 2 Construction Work Planning Permits – Jian Zi Di Nos. 130600201500091 and 130600201500092 in favor of Zhongcheng Real Estate, Part A of Project Zhongcheng Jingdian with a total gross floor area of approximately 248,081.65 sq.m. (including the low-income housing which will be delivered to the government) has been approved for construction.

4. Pursuant to 3 Construction Work Commencement Permits – Nos. 130601201511040301, 130601201511040101 and 130601201511040201 in favor of Zhongcheng Real Estate, permissions by the relevant local authority were given to commence the construction of Part A of Project Zhongcheng Jingdian with a total gross floor area of approximately 247,382.68 sq.m. (including the low-income housing).

5. Pursuant to a Pre-sale Permit – (Bao) Fang Yu Shou Zheng (2015) Di No. 051 in favor of Zhongcheng Real Estate, the Group is entitled to sell Part A of Project Zhongcheng Jingdian (representing a total gross floor area of approximately 182,380.68 sq.m.) to purchasers.

6. As at the valuation date, Part A of the project was completed. According to the information provided by the Group, the Construction Work Completion and Inspection Certificate/Tables of Part A are in the process of application.

7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Portions	**Status**	**Usage**	**Gross Floor Area**	**Nos. of Car Parking Spaces**
			(sq.m.)	
Part A (Unsold only)	Completed	Residential	125,220.74	
		Underground storage spaces	12,290.16	
		Underground car parking spaces	33,917.79	929
		Sub-total:	***171,428.69***	***929***
Part B (Planned)	For future development	Retail	1,900.00	
		Sub-total:	***1,900.00***	
		Grand-total:	**173,328.69**	**929**

8. As advised by the Group, all residential units (125,220.74 sq.m.) and some underground storage spaces (9,935.68 sq.m.) and 445 car parking spaces of Part A have been pre-sold to various third parties at a total consideration of RMB568,000,000. 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. 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 RMB1,500 to RMB1,700 per sq.m. for underground storage spaces and RMB70,000 to RMB85,000 per lot for underground car parking spaces. 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 land price of these comparable land ranges from about RMB4,500 to RMB5,000 per sq.m. on site area basis. 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.

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 parcel of land mentioned in note 1 in full and obtained the State-owned Land Use Rights Certificates; and the Group is entitled to occupy, use, lease, mortgage, transfer and otherwise dispose of the parcel of land; and

    b. the Group has obtained from local authorities the requisite approvals in respect of the development, construction and sale of the property 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 for Part A	Yes
f.	Construction Work Completion and Inspection Certificate/Table	No[(1)]
g.	Building Ownership Certificate	N/A[(2)]

(1) please refer to note 6.

(2) the properties are held for sale or will be sold to third parties, therefore the building ownership certificates are currently not necessary or available to the Company.

12. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, the market value of each group as at the valuation date in its existing state is set out as below:

Group	**Portions**	**Market value in existing state as at the valuation date**
		(RMB)
Group I – held for sale by the Group	Part A	527,000,000
Group II – held under development by the Group		
Group III – held for future development by the Group	Part B	4,000,000
Grand-total:		**531,000,000**

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date
				RMB
3.	Project Langton Manor (蘭頓莊園) located at the south of Fuqian East Street and the east of Changcheng North Road Shacheng Town Huailai County Zhangjiakou City Hebei Province The PRC	Project Langton Manor is located at the southeast of Zhangjiakou City, the central area of Shacheng Town and is well-served with public transportation. It occupies 2 parcels of land with a total site area of approximately 78,333.92 sq.m. which will be developed into a residential and commercial development with a total gross floor area of approximately 321,114.46 sq.m. The project will be divided into two parts. Part A of the project (including Residential Buildings 9 to 11, Retail Buildings S1 and S2, and Zone A of the underground car parking spaces) was completed in December 2016 and Part B is the remaining portions of Project Langton Manor which are currently under construction and scheduled to be completed in 2018. The property comprises the unsold units of Part A and Part B of the project, the gross floor area of which is set out in note 7. As advised by the Group, the total construction cost of Part B is estimated to be approximately RMB629,000,000, of which RMB411,000,000 had been paid up to the valuation date. The land use rights of Project Langton Manor have been granted for terms expiring on May 19, 2054 for commercial use and May 19, 2084 for residential use.	Part A of the property is currently vacant for sale and Part B is currently under construction.	980,000,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts dated April 18, 2014, the land use rights of 2 parcels of land with a total site area of approximately 78,333.92 sq.m. were contracted to be granted to Huailai Zhongcheng Real Estate Development Co., Ltd. (懷來中誠房地產開發有限公司, "**Huailai Zhongcheng**", a 64% owned subsidiary of the Company) for terms of 40 years for commercial use and 70 years for residential use. The total land premium was RMB235,000,000. As advised by the Group, the land premium has been fully paid.

2. Pursuant to 2 State-owned Land Use Rights Certificates – Huai Guo Yong (2014) Di C Nos. 18 and 19, the land use rights of 2 parcels of land with a total site area of approximately 78,333.92 sq.m. have been granted to Huailai Zhongcheng for terms expiring on May 19, 2054 for commercial use and May 19, 2084 for residential use.

3. Pursuant to 5 Construction Work Planning Permits – Jian Zi Di Nos. 13073020140028, 13073020150001, 13073020150003, 13073020160007 and 13073020160010 in favor of Huailai Zhongcheng, Project Langton Manor with a total gross floor area of approximately 321,114.46 sq.m. has been approved for construction.

4. Pursuant to 5 Construction Work Commencement Permits – Nos. 130730X14035, 130730X15007, 130730X15012, 130730X16012 and 130730X16014 in favor of Huailai Zhongcheng, permissions by the relevant local authority were given to commence the construction of Project Langton Manor with a total gross floor area of approximately 321,114.46 sq.m.

5. Pursuant to 2 Construction Work Completion and Inspection Acceptance Certificates/Tables – Residential Buildings 9 to 11, Retail Buildings S1 and S2 of Part A have been completed and passed the inspection acceptance. As at the valuation date, according to the information provided by the Group, the Construction Work Completion and Inspection Certificate/Tables are in the process of application for Zone A of the underground car parking spaces of Part A.

6. Pursuant to 8 Pre-sales Permits – (2014 Huai) Fang Yu Shou Zheng Di No. 037, (2015 Huai) Fang Yu Shou Zheng Di Nos. 032 and 041, (2016 Huai) Fang Yu Shou Zheng Di Nos. 008, 022 and 078, and (2017 Huai) Fang Yu Shou Zheng Di Nos. 003 and 022, in favor of Huailai Zhongcheng, the Group is entitled to sell portions of Project Langton Manor (representing a total gross floor area of approximately 263,216.17 sq.m.) to purchasers.

7. According to the information provided by the Group, the gross floor area of the property is set out as below:

Portions	Status	Usage	Gross Floor Area	Nos. of Car Parking Spaces
			(sq.m.)	
Part A (Unsold only)	Completed	Residential	860.13	
		Retail	9,644.56	
		Underground storage spaces	606.03	
		Underground car parking spaces	8,736.00	260
		Sub-total:	***19,846.72***	***260***
Part B (Planned)	Under construction	Residential	141,501.97	
		Underground storage spaces	7,245.60	
		Above-ground retail	15,652.92	
		Underground retail	5,659.80	
		Ancillary facilities	5,419.15	
		Underground car parking spaces	32,974.32	982
		Sub-total:	***208,453.76***	***982***
		Grand-total:	**228,300.48**	**1,242**

8. As advised by the Group, various residential units, retail units and underground storage spaces (comprising a total gross floor area of approximately 2,801.20 sq.m.) and 93 underground car parking spaces of Part A have been pre-sold to various third parties at a total consideration of RMB60,000,000. 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 as if completed as at the valuation date is estimated to be RMB1,226,000,000.

10. 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 RMB9,000 per sq.m. for residential units, RMB26,000 to RMB35,000 per sq.m. for retail units, RMB2,300 to RMB3,000 per sq.m. for underground storage spaces and RMB80,000 to RMB100,000 per for car parking space. 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 ranges from RMB1,000 to RMB1,200 per sq.m.

11. 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 2 parcels of land mentioned in note 1 in full and obtained the State-owned Land Use Rights Certificates; and the Group is entitled to occupy, use, lease, mortgage, transfer or otherwise dispose of the 2 parcels of land; and

    b. the Group has obtained from local authorities the requisite approvals in respect of the development, construction and sale of the property and the approvals are legal and valid.

12. 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	Portion(1)
f.	Construction Work Completion and Inspection Certificate/Table for Part A	Portion(2)
g.	Building Ownership Certificate	N/A(3)

(1) the Pre-sale Permits of the Residential Building 3, Retail Building S3 and S4 are in the process of application and related Pre-sale Permits for the other portions of Part A have been obtained.

(2) please refer to note 5.

(3) the properties are held for sale or will be sold to third parties, therefore the building ownership certificates are currently not necessary or available to the Company.

13. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held the market value of each group as at the valuation date in its existing state is set out as below:

Group	Portions	Market value in existing state as at the valuation date
		(RMB)
Group I – held for sale by the Group	Part A	160,000,000
Group II – held under development by the Group	Part B	820,000,000
Group III – held for future development by the Group	N/A	N/A
Grand-total:		**980,000,000**

TAXATION ON HOLDERS OF SECURITIES

The following is a summary of certain PRC and Hong Kong taxation consequences of the ownership of H Shares by an investor who purchases such H Shares in connection with the Global Offering and holds the H Shares as capital assets. This summary does not purport to address all material taxation consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules. This summary is based on the tax laws of the PRC and Hong Kong as in effect on the date as of the date of this prospectus, all of which are subject to change (or changes in interpretation) and may have retroactive effect.

This section of this prospectus does not address any aspects of Hong Kong or PRC taxation other than income tax, capital gains tax, stamp duty and estate duty. Prospective investors are urged to consult their respective tax advisors regarding the PRC, Hong Kong and other taxation consequences arising from the ownership and disposal of H Shares.

PRC

Dividend tax

Individual Investors

According to the *Individual Income Tax Law of the People's Republic of China* (中華人民共和國個人所得税法) ("**IIT Law**") issued on September 10, 1980 by the Fifth National People's Congress Standing Committee, modified on June 30, 2011 and taking effect on September 1, 2011, and the *Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China* (中華人民共和國個人所得税法實施條例) modified by the State Council on July 19, 2011 and taking effect on September 1, 2011, a 20% withholding tax shall be deducted from the dividend paid by Chinese company to individual investors. Meanwhile, pursuant to *the Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies* (Caishui [2015] No.101) (關於上市公司股息紅利差別化個人所得税政策有關問題的通知) issued by the Ministry of Finance, the State Taxation Administration and the Securities Committee on September 7, 2015, for shares of listed companies obtained by individuals from public offerings or the market, where the holding period exceeds one year, the dividends shall be exempted from individual income tax; for shares of listed companies obtained by individuals from public offerings or the market, where the holding period is less than one month (inclusive), the dividends shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above.

For foreign individuals who are not Chinese resident, a 20% individual income tax shall be deducted from the dividend got from Chinese company, unless there is special exempt approved by tax department of the State Council or special deduction permitted by applicable tax agreement.

According to the *Circular on the Individual Income Tax Collection and Administration after the GSF [1993] No. 045 Document is Abolished* (GSH [2011] No. 348) (關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知) issued by the State Administration of Taxation on June 28, 2011, if a non-foreign-invested enterprise in China offer stocks in public in Hong Kong, the individual investors of overseas resident can enjoy relevant tax preference according to the tax treaties signed by the country of these investors and China. The non-foreign-invested enterprises in China ("**relevant non-foreign-invested enterprises in China**") who has offered stocks in public in Hong Kong shall pay a 10% individual income tax on the dividend paid to individual investors of overseas resident ("**relevant individual investors**") without applying to China tax authority. If the tax rate of 10% is not applicable, relevant non-foreign-invested enterprises in China shall (i) if the country of relevant individual investors has entered an income tax treaty with China provided a tax rate lower than 10%, relevant non-foreign-invested enterprises can apply for the preference on behalf of these investors, and the excess tax shall be returned in accordance with *Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements* (Announcement No. 60 [2015] of the State Administration of Taxation) (非居民納税人享受税收協定待遇管理辦法); (ii) if the country of relevant individual investors has entered an income tax treaty with China provided a tax rate higher than 10% but lower than 20%, relevant non-foreign-invested enterprises shall pay tax based on the treaty without application; (iii) if the country of relevant individual investors has entered no income tax treaty with China or in other cases, relevant non-foreign-invested enterprises shall pay a 20% individual income tax.

Enterprise Investors

According to the *Enterprise Income Tax Law of the People's Republic of China* (中華人民共和國企業所得税法) ("**EIT Law**") issued on March 16, 2007 by the Tenth National People's Congress Standing Committee and taking effect on January 1, 2008, and *Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China* (中華人民共和國企業所得税法實施條例) issued on December 6, 2007 by the State Council and taking effect on January 1, 2008 if the non-resident enterprise has no institution or operating site in China or their income is irrelevant to the institution or operating site, an enterprise income tax of 10% shall be paid on the income obtained in China. The withholding tax can be reduced according to the treaty on the avoidance of double taxation after applying and being approved.

According to the *Circular of the State Administration of Taxation on the Withholding and Remitting of Enterprise Income Tax on the Dividend Distributed by Chinese Resident Enterprise to Overseas H-Share Non-resident Enterprise* (GSH [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股利代扣代繳企業所得税有關問題的通知) issued by the State Administration of Taxation and taking effect on November 6, 2008, a PRC resident enterprise shall pay an enterprise income tax of 10% when distributing dividend in and after 2008 to H-share holders of overseas non-resident enterprises. The withholding tax can be reduced according to the treaty on the avoidance of double taxation after applying and being approved. *The Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises* (國家税務總局關於非居民企業取得B股等股票股息徵收企業所得税問題的批覆) (GSH [2009] No. 394) issued by the SAT on July 24, 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to Non-PRC Resident Enterprise shareholders. Such tax rate may be modified pursuant to the tax treaty or agreement that the PRC has concluded with a relevant jurisdiction, where applicable.

According to the *Arrangement on the Avoidance of Double Taxation and Smuggling of Income Tax in Mainland and Hong Kong* (內地和香港特別行政區關於對所得稅避免雙重徵稅和防止偷漏稅的安排) signed by the mainland and Hong Kong on August 21, 2006 in regard to income tax issues, the PRC government can levy on the dividend payable by a PRC company to Hong Kong residents (including natural persons and legal entities) with a rate lower than or equal to 10% of the total dividend, if Hong Kong residents hold at least 25% stock rights in a PRC company, the tax rate cannot exceed 5% of the total dividend payable after applying to and being approved by Chinese tax authority.

Taxation treaties

Investors who are not PRC residents and reside in countries which have signed treaties on the avoidance of double taxation with China reserve right to the reduction of withholding tax on the dividend got from the PRC companies. China has entered the treaty on the avoidance of double taxation with many countries including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, UK and US.

Shanghai-Hong Kong Stock Connect Taxation Policy

On October 31, 2014, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong (財政部、國家稅務總局、證監會關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Cai Shui [2014] No. 81) (hereinafter as "**Shanghai-Hong Kong Stock Connect Taxation Policy**") which clarified the relevant taxation policy under Shanghai-Hong Kong Stock Connect.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect from November 17, 2014 to November 16, 2017. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Hong Kong Stock Exchange by mainland individual investors through Shanghai-Hong Kong Stock Connect. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by H-share companies at the tax rate of 20%; for dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax is withheld by China Securities Depository and Clearing Co., Ltd ("**CSDC**") at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDC by producing the tax credit document.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. Business tax will be exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shanghai-Hong Kong Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shanghai-Hong Kong Stock Connect Taxation Policy, mainland investors who transfer shares listed on the Stock Exchange through Shanghai-Hong Kong Stock Connect shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDC and HKSCC may collect the abovementioned stamp duty on each other's behalf.

Shenzhen-Hong Kong Stock Connect Taxation Policy

On November 5, 2016, the MOF, SAT and CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Program that Links the Stock Markets in Shanghai and Hong Kong (財政部、國家稅務總局、證監會關於深港股票市場交易互聯互通機制試點有關稅收政策的通知) (Cai Shui [2014] No. 81) (hereinafter as "**Shenzhen-Hong Kong Stock Connect Taxation Policy**") which clarified the relevant taxation policy under Shenzhen-Hong Kong Stock Connect.

Pursuant to the Shenzhen-Hong Kong Stock Connect Taxation Policy, individual income tax will be temporarily exempted for transfer spread income derived from investment by mainland individual investors in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect from December 5, 2016 to December 4, 2019. Business tax will be temporarily exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Hong Kong Stock Exchange by mainland individual investors through Shenzhen-Hong Kong Stock Connect. For dividends obtained by mainland individual investors or mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, individual income tax is withheld by H-share companies at the tax rate of 20%; for dividends obtained by mainland individual investors or mainland securities investment funds from investing in non-H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, individual income tax is withheld by China Securities Depository and Clearing Co., Ltd ("**CSDC**") at the tax rate of 20%. Individual investors who have paid withholding tax overseas may apply for tax credit to the competent tax authority of CSDC by producing the tax credit document.

Pursuant to the Shenzhen-Hong Kong Stock Connect Taxation Policy, enterprise income tax will be levied according to law on transfer spread income (included in total income) derived from investment by mainland corporate investors in stocks listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect. Business tax will be exempted in accordance with the current policy for spread income derived from dealing in stocks listed on the Stock Exchange by investors of mainland entities through Shenzhen-Hong Kong Stock Connect. Enterprise income tax will be levied according to law on dividend income (included in total income) obtained by mainland corporate investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect. In particular, enterprise income tax will be exempted according to law for dividend income obtained by mainland resident enterprises which hold H shares for at least 12 consecutive months. For dividend income obtained by mainland corporate investors, H-share companies will not withhold dividend income tax for mainland corporate investors. The tax payable shall be declared and paid by the enterprises themselves. Mainland corporate investors, when declaring and paying enterprise income tax themselves, may apply for tax credit according to law in respect of dividend income tax which has been withheld and paid by non-H share companies listed on the Hong Kong Stock Exchange.

Pursuant to the Shenzhen-Hong Kong Stock Connect Taxation Policy, mainland investors who transfer shares listed on the Stock Exchange through Shenzhen-Hong Kong Stock Connect shall pay stamp duty in accordance with the current tax laws of Hong Kong. CSDC and HKSCC may collect the abovementioned stamp duty on each other's behalf.

Capital Gains Tax

Individual Investors

According to the IIT Law and its implementation provisions, gains realized on the sale of equity interests in PRC resident enterprises are subject to the income tax at a rate of 20%, unless such tax is reduced or exempted under relevant double taxation treaties.

Enterprise Investors

In accordance with the EIT Law and its implementation provisions, a non-resident enterprise is generally subject to a 10% corporate income tax on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or place in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not connected with such establishment or premise. Such income tax for non-resident enterprises are deducted at source, where the payer of the income are required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. The withholding tax may be reduced pursuant to applicable treaties or agreements on avoidance of double taxation.

Other Tax Issues in China

PRC stamp duty

According to the *Provisional Regulations of the People's Republic of China on Stamp Tax* (中華人民共和國印花稅暫行條例) amended on January 8, 2011, the PRC stamp duty levied on the transfer of stocks of Chinese listing companies is not applicable to the H-share purchased and disposed overseas by non-Chinese investors. The *Provisional Regulations of the People's Republic of China on Stamp Tax* (中華人民共和國印花稅暫行條例實施細則) specifies that the PRC stamp duty is only applicable to documents signed or received in China, having legal effect in China and protected by Chinese laws.

Estate duty

In current legal environment of China, non-Chinese resident holding H-share shall pay no estate duty.

Main PRC Taxes of the Company

Income tax

According to the EIT Law, enterprises and institutions founded in China shall pay an enterprise income tax at a rate of 25%.

VAT

According to *the Provisional Regulations of the People's Republic of China on Value-added Tax* (中華人民共和國增值稅暫行條例) amended on February 6, 2016, enterprises and individuals that engage in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC as specified by such regulations are subject to Value-added tax. Unless otherwise provided in the provisional regulations, the tax rate is generally 17% for taxpayers selling or importing goods.

Pursuant to *the Pilot Plan for Levying Value-added Tax in Lieu of Business Tax* (Caishui [2011] No.110) (營業稅改徵增值稅試點方案) promulgated by the MOF and SAT, effective on November 16, 2011, since January 1, 2012, the State started the pilot taxation reform of collecting VAT in lieu of business tax in certain regions (including Shanghai and Beijing) and in certain pilot industries (including transportation and certain modern service industries). The MOF and the SAT further notified that the aforesaid pilot scheme for the conversion of business tax to VAT will be implemented nationwide since August 1, 2013.

Pursuant to *the Notice on Implementing the Pilot Plan for Levying Value-added Tax in Lieu of Business Tax Nationwide* (Caishui [2016] No.36) (關於全面推開營業稅改徵增值稅試點的通知) promulgated by the MOF and SAT on March 23, 2016, starting from May 1, 2016, the pilot reform for the transition from business tax to VAT ("**Business Tax to VAT**") is implemented nationwide. Pursuant to the Implementation Measures for Transition from Business Tax to Value-added Tax (營業稅改徵增值稅試點實施辦法), unless otherwise provided in the implementation measures, the tax rate is generally 6% for tax payers who conducted taxable behaviors.

HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK$5.00 is currently payable on any instrument of transfer of H Shares.

Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

FOREIGN EXCHANGE

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control and is not freely convertible into foreign exchange. The SAFE, under the authority of PBOC, is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with *the Notice of the State Council on Further Reforming the Foreign Exchange Management System* (Guo Fa [1993] No. 89) (關於進一步改革外匯管理體制的通知) issued by the State Council, since January 1, 1994, the conditional convertibility of Renminbi in current account items has been implemented, and the official Renminbi exchange rate and the market rate for Renminbi have been unified. The former dual exchange rate system for Renminbi had been abolished and a unitary and managed floating rate based on market demand and supply was introduced. The PBOC set and published daily the medium price of Renminbi against the U.S. dollar and the exchange rates of Renminbi against other currencies in reference to the changes in the international foreign exchange markets, which was permitted to float to a certain extent in foreign exchange transactions.

On January 29, 1996, the State Council promulgated new *Regulations of the PRC for Foreign Exchange Control* (中華人民共和國外匯管理條例) (the "**Foreign Exchange Control Regulations**") which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are no longer subject to SAFE's approval, while capital account items still are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 1, 2008. The latest amendment to the Foreign Exchange Control Regulations clearly states that the State does not impose any restriction on international current account payments and transfers.

On June 20, 1996, the PBOC promulgated *the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange* (結匯、售匯及付匯管理規定) (the "**Settlement Regulations**") which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to *the Announcement on Improving the Reform of the Renminbi* (PBOC Announcement [2005] No. 16) (關於完善人民幣匯率形成機制改革的公告) issued by the PBOC on July 21, 2005 and effective on the same date, the PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The Renminbi exchange rate was no longer pegged to the U.S. dollar. The PBOC would publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, and would fix the central parity for Renminbi transactions on the following business day.

Starting from January 4, 2006, the PBOC introduced over-the-counter transactions into the inter-bank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, and the practice of matching was kept at the same time. In addition to the above, the PBOC introduced the market-maker rule to provide liquidity to the foreign exchange market. On July 1, 2014, the PBOC further improved the formation mechanism of the RMB exchange rate by authorizing the China Foreign Exchange Trade System to make inquiries with the market makers before the inter-bank foreign exchange market opens every day for their offered quotations which are used as samples to calculate the central parity of the RMB against the USD, and announce it at 9:15 a.m. on each business day.

On August 5, 2008, the State Council promulgated the revised *Regulations of the PRC for Foreign Exchange Control* (中華人民共和國外匯管理條例) (the "**Revised Foreign Exchange Control Regulations**"), which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Revised Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of foreign exchange. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Revised Foreign Exchange Control Regulations have improved the mechanism for determining the RMB exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

Pursuant to the relevant State rules and regulations, all of the foreign exchange revenue of the PRC enterprises from the existing current account transactions may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

The PRC enterprises (including foreign investment enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

The *Decision of the State Council on Cancelling and Adjusting a Group of Administrative Approval Items and Other Matters* (Guo Fa [2014] No.50) (國務院關於取消和調整一批行政審批項目等事項的決定), which was promulgated by the State Council on October 23, 2014, canceled the administrative approval by the SAFE and its branches over matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

According to *the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing* (Hui Fa [2014] No.54) (關於境外上市外滙管理有關問題的通知) issued by SAFE on December 26, 2014, a domestic issuer shall, within 15 working days after the completion of the offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. The proceeds raised from overseas listing of a domestic issuer can be repatriated to PRC or deposited overseas, and the usage of such proceeds shall be consistent with the purpose as specified in the prospectus and other disclosure documents. Approval by the SAFE is needed to convert the funds in the domestic designated account to Renminbi.

Pursuant to the Circular on Further Simplifying and Improving Direct Investment Foreign Exchange Administration Policies ("Hui Fa [2015] No. 13," 國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知) which was issued by the SAFE and implemented on February 13, 2015 and June 1, 2015 respectively, two administrative approvals were abolished, namely the foreign exchange registration approval under the PRC direct investment and the foreign exchange registration approval under the oversea direct investment. Parts of direct investment foreign exchange business procedure were further simplified.

According to *the Notice on Revolutionize and Regulate Capital Account Settlement Management Policies* (Hui Fa [2016] No.16) (關於改革和規範資本項目結滙管理政策的通知) issued by the SAFE on June 15, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

This Appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to our Company's operations and business. Laws and regulations relating to taxation in the PRC are discussed separately in "Appendix IV – Taxation and Foreign Exchange". This Appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain of the material differences between PRC and Hong Kong company law, certain requirements of the Hong Kong Listing Rules and additional provisions required by the Hong Kong Stock Exchange for inclusion in the articles of association of the PRC issuers.

PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance. *The PRC Constitution* (中華人民共和國憲法) (the "**Constitution**"), enacted by the NPC, is the basis of the PRC legal system and has supreme legal authority.

The NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws.

The State Council enacts administrative regulations under the Constitution and laws.

The People's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations. The People's congresses of large cities and their respective standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people's congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations.

The People's congresses of autonomous regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

The ministries, commissions, PBOC, Audit Office and institutions with administrative functions directly under the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people's governments of provinces, autonomous regions, municipalities and large cities may formulate rules and regulations based on the laws, administrative regulations and relevant local regulations.

According to the PRC Constitution, the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to *the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws* (全國人民代表大會常務委員會關於加強法律解釋工作的決議) passed on June 10, 1981, interpretation on the application of laws and decrees in court trails and the procuratorial work of the procuratorates shall be given by the Supreme People's Court and the Supreme People's Procuratorate, respectively. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions. In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous regions and municipalities which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities.

PRC JUDICIAL SYSTEM

Under the Constitution and the *Law of the PRC on the Organization of the People's Courts* (中華人民共和國人民法院組織法) which was enacted on July 1, 1979 and last amended on October 31, 2006 and took effect on January 1, 2007, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts. The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may be organized into civil, criminal, and economic tribunals. The intermediate people's courts may be organized into divisions similar to those of the basic people's courts, and may be further organized into other special divisions. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts.

The people's courts adopt a "second instance as final" appellate system in the trail of the cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorate may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorate within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. The death penalty shall be reported to the Supreme People's Court for approval unless it is otherwise adjudged by the Supreme People's Court.

The *Civil Procedure Law of the PRC* (中華人民共和國民事訴訟法) (the "**PRC Civil Procedure Law**"), which was adopted on April 9, 1991 and last amended on June 27, 2017 and became effective on July 1, 2017, sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over either the plaintiff's or the defendant's place of residence, the place of execution or performance of the contract, the object of the action or locations which have substantial connections with the dispute. However, such selection cannot violate the stipulations of hierarchical jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award granted by an arbitration panel in the PRC, the other party may apply to the people's court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people's court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people's court shall not recognize and enforce it.

The Company Law, Special Regulations and Mandatory Provisions of PRC

The PRC Company Law which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended on December 28, 2013 and came into effect on March 1, 2014 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The latest amendment to the PRC Company Law in 2013 has canceled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The *Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies* (國務院關於股份有限公司境外募集股份及上市的特別規定) (the "**Special Regulations**") were promulgated by the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in "Appendix VI – Summary of the Articles of Association"). The term "company" as mentioned in the Appendix refers to a limited liability company established in accordance with the provisions of the PRC Company Law which is qualified for H-share issuance.

Copies of the Chinese text of the PRC Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in "Appendix VIII – Documents Delivered to the Registrar of Companies and Available for Inspection".

Main provisions in PRC Company Law, Special Regulations and Mandatory Provisions are summarized as follows:

General

A joint-stock limited liability company (hereinafter referred to as "**company**") is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets owned by it.

A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of our company's assets and liabilities and the establishment of internal management organs.

A joint stock limited company shall conduct its business in accordance with laws and professional ethics. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A company may be incorporated by promotion or subscription. A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For companies incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. It shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by public subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

The promoters shall convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and shall 15 days before the meeting notice all subscribers or make a public announcement of the date of the inaugural meeting.

The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

Where after the incorporation of a company, a promoter fails to pay in full the subscription moneys in accordance with the provisions of the company's articles of association, he shall pay them in full; and the other promoters shall bear joint and several liability. Where it is discovered that the actual evaluation of the non-currency property used as capital contributions for the incorporation of the company is obviously less than the evaluation prescribed by the company' articles of association, the promoters making such contributions shall make up the difference; and the other promoters shall bear joint and several liability.

The promoters of a company shall bear the following liabilities:

Where our company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation;

Where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription moneys paid by the subscribers, plus their bank deposit interest calculated for the same period of time; and

Where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value, except for the property that is not allowed to be used as capital contributions, as is provided for by laws or administrative regulations.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares according to the laws. Non-current property used for capital contributions shall be evaluated and verified, and shall not be overvalued or undervalued. Where laws or administrative regulations provide otherwise, those provisions shall prevail.

A company may issue registered or bearer shares. However, shares issued to promoter(s) or legal person(s) shall be in the form of registered shares and shall be registered under the name(s) of such promoter(s) or legal person(s) and shall not be registered under a different name or the name of a representative.

The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong Special Administrative Region, Macau Special Administrative Region, China and Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The shares shall be issued in compliance with the principles of fairness and impartiality. The shares of the same class must carry the same rights. Shares shall be issued on the same conditions and at the same price. All units and individuals shall pay the same price for each of the share they subscribe for. The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value. Shares issued by a company with limited liability may be either registered shares or bearer shares.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Shares held by a promoter of a company shall not be transferred within one year after the date of the company's incorporation. Shares issued by a company prior to the public offer of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall not transfer over 25.0% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the listing date. There is no restriction under the PRC Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the benchmark date determined by the company for distribution of dividends.

Increase in Capital

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the *PRC Securities Law* (中華人民共和國證券法) (the "**Securities Law**") provides that the company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council.

After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue a public notice accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders in general meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within ten days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts; The creditors shall, within 30 days from the date they receive the written notice, or within 45 days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

Repurchase of Shares

A company may not purchase its own shares other than for the purpose of:

(i) reducing the registered capital of the company;

(ii) merging with another company holding shares of this company;

(iii) awarding the employees of this company with shares; or

(iv) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting.

Purchase of its own shares by a company due to the reasons specified in Subparagraph (i), (ii) or (iii) of the preceding paragraph shall be subject to resolution adopted by the shareholders general assembly. Where a company purchases its own shares on grounds of Subparagraph (i) as specified in the preceding paragraph, such shares shall be canceled within 10 days from the date it purchases them; and where the shares are purchased on grounds of Subparagraph (ii) or (iv), such shares shall be transferred or canceled within six months.

The number of its own shares purchased by a company in accordance with the provisions of Subparagraph (iii) of the first paragraph shall not exceed five percent of the total number of the shares issued by the company; the funds used for such purchase shall be allotted from the after-tax profits of the company; and the shares purchased shall be transferred to its staff and workers within one year.

A company shall not accept its own shares as the subject matter of a mortgage.

Transfer of Shares

Shares may be transferred in accordance with the relevant laws and regulations.

Registered shares shall be transferred by means of endorsement by shareholders or by such other means as provided for by laws or administrative regulations; and after such transfer, the company shall register the names or titles and domiciles of the transferees in its roster of shareholders. No registration of modification to the roster of shareholders as stipulated by the preceding paragraph shall be made within the period of 20 days prior to the convening of a meeting of the shareholders general assembly or within the period of 5 days prior to the date of record on which the company decides to distribute dividends.

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons. Our overseas listed H Shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. However, eligible institutional investors and individual investors may trade Shanghai Stock Exchange or Shenzhen Stock Exchange securities and the Stock Exchange securities by participating in Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Transfer of bearer shares shall become effective immediately after a shareholder delivers such share certificates to a transferee.

Shares held by the promoters of a company shall not be transferred within one year from the date the company is incorporated. Directors, supervisors and senior managers of a company shall declare to the company the numbers of the company's shares held by them and the changes of the shares they hold, and the number of the company's shares annually transferred by each of them during their term of office shall not exceed 25 percent of the total number of the company's shares held by them respectively; The company's shares held by the persons mentioned above shall not be transferred within six months after they leave office. The company's articles of association may stipulate other restrictive provisions on the transfer of the company's shares held by the directors, supervisors and senior managers of the company.

Shareholders

Shareholders have such rights and obligations as set forth in the articles of association of the company. The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

(i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

(ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;

(iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;

(iv) if any directors or senior officers damages the shareholder's interests by violating law or administrative regulations or articles of association, the shareholders may lodge an action in the people's court;

(v) to receive dividends and other distributions in respect of the number of shares held;

(vi) to obtain surplus assets of the company upon its termination in proportion to his or her shareholding; to claim against other shareholders who abuse their shareholders' rights for the damages; and

(vii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

(i) to decide on the company's operational policies and investment plans;

(ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;

(iii) to consider and approve reports of the board of directors;

(iv) to consider and approve reports of the board of supervisors;

(v) to consider and approve the company's proposed annual financial budget and financial accounts;

(vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;

(vii) to decide on any increase or reduction in the company's registered capital;

(viii) to decide on the issue of bonds by the company;

(ix) to decide on issues such as merger, division, dissolution, liquidation or change of the form of the company and other matters;

(x) to amend the articles of association of the company; and

(xi) other powers specified in the articles of association of the company.

A shareholders' annual general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

(i) the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the company's articles of association;

(ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital; a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;

(iii) when deemed necessary by the board of directors;

(iv) when the board of supervisors proposes convening it; or

(v) other matters required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of the company for ninety days consecutively may unilaterally convene and preside over such meeting.

Notice of the shareholders' general meeting shall be given to all shareholders 20 days before the meeting under the PRC Company Law and 45 days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance 20 days prior to the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds.

Resolutions proposed at the shareholders' general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received 20 days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

Where holders of bearer shares intend to attend a meeting of the shareholders general assembly, they shall deposit their share certificates with the company for a period beginning from five days prior to the convening of the meeting to the end of the meeting.

Directors

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of the company. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the PRC Company Law, the board of directors exercises the following powers:

(i) to convene the shareholders' general meeting and report on its work to the shareholders;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's business plans and investment plans;

(iv) to formulate the company's proposed annual financial budget and final accounts;

(v) to formulate the company's proposals for profit distribution and for recovery of losses;

(vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(vii) to prepare plans for the merger, division, dissolution or change of the form of the company;

(viii) to decide on the company's internal management structure;

(ix) to appoint or dismiss the company's general manager, and based on the president's recommendation, to appoint or dismiss deputy general manager and financial officers of the company and to decide on their remuneration;

(x) to formulate the company's basic management system; and

(xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors.

If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

Under the PRC Company Law, the following persons may not serve as a director of a company:

(i) persons without civil capacity or with restricted civil capacity;

(ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation;

(iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) persons who were legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;

(v) persons who have a relatively large amount of debt due and outstanding; or

(vi) other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in "Appendix VI – Summary of the Articles of Association").

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

(i) to preside over shareholders' general meetings and convene and preside over meetings of the board of directors; and

(ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the Mandatory Provisions, is the chairman of the board of directors. The Special Regulations provide that a company's directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in "Appendix VI – Summary of the Articles of Association") contain further elaborations of such duties.

Directors shall be liable for the resolutions adopted by the board of directors. Where a resolution of the board violates laws, administrative regulations, or the company's articles of association, or the resolutions of the shareholders general assembly, and thus causes serious losses to the company, the directors participating in the adoption of such a resolution shall be liable for compensation to the company. However, where a director is proved to have expressed his objection to such a resolution when it was put to the vote and his objection was recorded in the minutes of the meeting, he may be exempted from such liability.

Supervisors

A company shall have a board of supervisors composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The board of supervisors is made up of shareholders representatives and an appropriate proportion of the company's staff representatives; and the percentage of the number of the company's staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the board of supervisors under the PRC Company Law are as follows:

(i) to examine the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders' resolution;

(iii) to require any director or senior management whose act is detrimental to the company's interests to rectify such act;

(iv) to propose the convening of extraordinary shareholders' general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders' meetings to convene and preside over shareholders' meetings;

(v) to propose any bills to shareholders' general meetings;

(vi) to commence any action against any directors or senior management; and

(vii) other powers specified in the company's articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

The Special Regulations provide that a company's directors and supervisors shall have fiduciary duties. They are required to faithfully perform their duties, protect the interest of the company and not to use their positions for their own benefit.

Supervisors may be in attendance at board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors or (where there is no board of supervisors) the supervisors of a company may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accountant to assist in their work. Expenses incurred by the board of supervisors to exercise their power shall be borne by the company.

Meetings of the board of supervisors shall be convened at least every six months. Interim meetings of the board of supervisors can be convened by the supervisors. According to the PRC Company Law, resolutions of the board of supervisors require the approval of more than half of all supervisors, and pursuant to the *Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong* (關於到香港上市公司對公司章程作補充修改的意見的函) promulgated by the CSRC on April 3, 1995, resolutions of the board of supervisors require the approval of more than two-thirds of all supervisors. Each supervisor shall have one vote for resolutions to be approved by the board of supervisors. Minutes shall be prepared in respect of matters considered at the meeting of the board of supervisors and supervisors attending the meeting shall sign to endorse such minutes.

The board of supervisors shall have one chairman and may have one vice-chairman. Both shall be elected by more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meeting of the board; where the chairman of the board of supervisors cannot perform the functions or fails to do so, the vice-chairman shall convene and preside over the meeting of the board; and where the vice-chairman cannot perform the functions or fails to do so, a supervisor jointly elected by half or more of the supervisors shall convene and preside over the meeting of the board.

Managers and other Senior Officers

The "senior manager" refers to the manager, vice manager, person in charge of finance of a company, and the secretary of the board of directors of a listed company as well as any other person as stimulated in the articles of association.

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

(i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;

(ii) arrange for the implementation of the company's annual business and investment plans;

(iii) formulate plans for the establishment of the company's internal management structure;

(iv) formulate the basic administration system of the company;

(v) formulate the company's internal rules;

(vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other senior administration officers (other than those required to be appointed or dismissed by the board of directors);

(vii) attend board meetings as a non-voting attendant; and

(viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management officers of a company includes the financial officer, secretary of the board of directors and other executives as specified in the articles of association of the company.

The circumstances under which a person is disqualified from being a director of a company also apply to managers and officers of the company.

The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in "Appendix VI – Summary of the Articles of Association".

Duties of Directors, Supervisors and Senior Officers

None of the following persons shall serve as a director, supervisor, or senior manager of a company:

(i) a person who has no or limited capacity for civil conduct;

(ii) a person who was sentenced to criminal punishment for embezzlement, bribery, seizure of property or misappropriation of property or for sabotage of the socialist market economic order, where less than five years have elapsed after the expiration of the period of execution; or a person who was deprived of his political rights for the commission of a crime, where less than five years have elapsed after the expiration of the period of execution;

(iii) a person who, being a director or the head or manager of a company or enterprise that went into bankruptcy and liquidation, was personally liable for the bankruptcy of the said company or enterprise, where less than three years have elapsed from the date liquidation of the company or enterprise is completed;

(iv) a person who, being the legal representative of a company or an enterprise, the business license of which was revoked for violation of law and which was ordered to close down, was personally liable for the above, where less than three years have elapsed from the date the business license of the company or enterprise is revoked; or

(v) a person who fails to liquidate a relatively large amount of personal debts when they are due.

A director, supervisor and senior officer of a company are required under the PRC Company Law to comply with the relevant laws, regulations and the company's articles of association, carry out their duties honestly and protect the interests of the company. They are also prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating the company's properties. Directors and senior management are prohibited from:

(i) misappropriation of company funds;

(ii) deposit of company funds into accounts under their own name or the name of other individuals;

(iii) loaning company funds to others or providing guarantees in favor of others supported by the company properties in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(iv) entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;

(v) using their position to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefit or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;

(vi) accepting for their own benefit commissions from other parties dealing with the company;

(vii) unauthorized divulgence of confidential information of the company; or

(viii) other acts in violation of their duty of loyalty to the company.

A director, supervisor and senior officer of a company is also under a duty of confidentiality to the company.

A director, supervisor and senior officer who contravenes any law, regulation or the company's articles of association in the performance of his duties which results in any loss to our company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Where the attendance of a director, supervisor, or senior officer is requested by the shareholders' general meeting, such director, supervisor, or other senior officer shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior officers shall furnish with all truthfulness facts and information to the board of supervisors without obstructing the discharge of duties by the board of supervisors.

A company shall not directly, or through its affiliate, provide loans to any director, supervisor or senior management and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management of the company.

Finance and Accounting

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company incorporated by public subscription must publish its financial statements.

The common reserve of a company comprises the statutory surplus reserve, the discretionary common reserve and the capital common reserve.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve (except where the reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

When the company's statutory surplus reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After the company has made up for its losses and make allocations to its statutory surplus reserve the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve.

The common reserve of a company shall be applied for the following purposes:

(i) to make up the company's losses other than the capital common reserve;

(ii) to expand the business operations of the company; and

(iii) to increase the registered capital of the company by the issue of new shares to shareholders in proportion to their existing shareholdings in the company or by increasing the nominal value of the shares currently held by the shareholders. If the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

Appointment and Retirement of Auditors

The Special Regulations require a company to appoint an independent PRC qualified accounting firm to audit the company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

Appointment or dismissal of auditors in charge of the auditing business of a company shall be subject to decision by the shareholders' meeting, the shareholders general assembly or the board of directors in accordance with the provisions of the company's articles of association. Where the shareholders assembly, the shareholders general assembly or the board of directors of a company votes on the dismissal of an accounting firm, it shall allow the accountants to state their opinions. A company shall provide authentic and complete accounting vouchers, accounting books, financial and accounting reports and other accounting data to the accountants it appoints, and shall not refuse to do so, or conceal the facts or make false reports about them. The period of appointment of the accountants starts from the date when the first annual shareholders meeting ends to the date when the next annual shareholders meeting ends.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

A company shall not have any other accounting books in addition to the statutory accounting books. No accounts shall be opened in the name of any individual for deposit of the assets of a company.

Distribution of Profits

The PRC Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve has been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved in any of the following events:

(i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;

(ii) the shareholders in general meeting have resolved to dissolve the company;

(iii) the company is dissolved by reason of its merger or demerger;

(iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or

(v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within 15 days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or people as determined by the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment.

The liquidation committee shall notify the company's creditors within ten days after its establishment, and issue a public notice in the newspapers within 60 days. A creditor shall lodge his claim with the liquidation committee within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. The liquidation committee shall exercise the following powers during the liquidation period:

(i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;

(ii) to notify creditors or issue public notices;

(iii) to deal with and settle any outstanding business of relevant company;

(iv) to pay any tax overdue;

(v) to settle the company's claims and liabilities;

(vi) to handle the surplus assets of the company after its debts have been paid off; and

(vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and labor insurance expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy according to the laws. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

Loss of Share Certificates

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix VI – Summary of the Articles of Association").

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten days as of making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty days. The creditors may, within thirty days as of the receipt of the notice or within forty five days as of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the division of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten days as of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities firms, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee of the State Council and assigned its function to the CSRC. The CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The Securities Law took effect on July 1, 1999 and was last amended on August 31, 2014. This is the first securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities firms and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares oversea. Article 239 of the Securities Law provides that specific provisions in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still governed by the rules and regulations promulgated by the State Council and the CSRC.

Overseas Listing

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within fifteen months after approval is obtained from the CSRC.

Suspension and Termination of Listing

All provisions on the suspension and termination of listing were deleted from the PRC Company Law. The following revisions were made in the Securities Law:

Where a listed company is in any of the following circumstances, the stock exchange shall decide to suspend the listing of its stocks:

(i) Where the total amount of capital stock or share distribution of the company changes and thus, fails to meet the requirements of listing;

(ii) Where the company fails to publicize its financial status according to the relevant provisions or has any false record in its financial statements, which may mislead the investors;

(iii) Where the company has in dissolution or has been declared insolvent;

(iv) Where the company has been operating at a loss for the latest 3 consecutive year; or

(v) Under any other circumstance as prescribed in the listing rules of the stock exchange.

According to the Securities Law, under the above (i) circumstances, and the company fails again to meet the requirements of listing within the period as prescribed by the stock exchange; and under the above (ii) circumstances, and the company refuses to make any correction; as well as under the above (iv) circumstances, and the company fails to gain profits in the year thereafter; the stock exchange shall decide to terminate the listing of its stocks.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The *Arbitration Law of the PRC* (中華人民共和國仲裁法) (the "**Arbitration Law**") was passed by the Standing Committee of the National People's Congress on August 31, 1994 and the latest version was amended on August 27, 2009 with immediate effect. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate provisional arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of the H Shares and us; holders of the H Shares and the Directors, Supervisors or officers; or holders of the Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, Directors, Supervisors, officers of us, shall be subject to the arbitration. Disputes in respect of who is the shareholder and those in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("**CIETAC**") in accordance with its rules or the Hong Kong International Arbitration Centre ("**HKIAC**") in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for Enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the *Convention on the Recognition and Enforcement of Foreign Arbitral Awards* (承認及執行外國仲裁裁決公約) (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the National People's Congress passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing

Committee of the National People's Congress simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

In June 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

REGULATION ON ANTI-MONEY LAUNDERING

The *Anti-money Laundering Law of the PRC* (中華人民共和國反洗錢法) effective on January 1, 2007 provides for the duties of the relevant financial regulatory authorities in anti-money laundering, which includes monitoring the capital of anti-money laundering, formulating rules and regulations on anti-money laundering of the financial institutions, supervising and reviewing the fulfillment of anti-money laundering obligations by financial institutions and investigating suspicious transactions within the scope of responsibilities. Heads of financial institutions shall be responsible for the effective implementation of anti-money laundering internal control system. Financial institutions shall establish a client identification system and a system for keeping clients' identity information and historical transaction record, and report large-sum transactions and doubtful transactions according to applicable requirements.

According to the *Provisions on Anti-money Laundering of Financial Institutions* (金融機構反洗錢規定) which was enacted by the PBOC and came into effect on January 1, 2007, financial institutions and their branches shall establish comprehensive anti-money laundering internal control systems, an anti-money laundering department or designated internal department responsible for anti-money laundering pursuant to applicable laws. Anti-money laundering internal procedures and control measures shall be formulated. Specific training shall be offered to the staff in order to strengthen the anti-money laundering works.

According to the *Measures on Administration of Identification of Clients and Preservation of Client Identities Information and Historical Transaction Records of Financial Institutions* (金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法) which was jointly enacted by the PBOC, CBRC, the CSRC and China Insurance Regulatory Commission and came into effect on August 1, 2007, financial institutions shall establish client identification systems, and shall record the identities of all clients and the information about each of the transactions, and shall preserve the retail trading documents and books.

According to the *Administrative Measures for the Financial Institutions' Report of Large-sum Transactions and Doubtful Transactions* (金融機構大額交易和可疑交易報告管理辦法) which was enacted by the PBOC and came into effect on July 1, 2017, the headquarter of the financial institution or the department appointed by the headquarter, shall report to China Anti-money Laundering Monitoring and Analysis Centre electronically after identifying large-sum transactions and doubtful transactions.

The CSRC also formulated the *Implementing Rules of Anti-money Laundering for Securities and Futures Industry* (證券期貨業反洗錢工作實施辦法) which effective from October 1, 2010 and further formulates the anti-money laundering rules for securities and futures industry, and the anti-money laundering liabilities for the institutions carrying on funds sales business in their funds sales activities, and the securities and futures operating institutions should establish anti-money laundering internal control system.

ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS

According to the *Provisions for Overseas Investment Management* (境外投資管理辦法) promulgated by the Ministry of Commerce and took effect on October 6, 2014, and the *Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions* (境內機構境外直接投資外匯管理規定) issued by the SAFE and took effect on August 1, 2009, upon obtaining approval from the Ministry of Commerce to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investments.

According to the *Tentative Administrative Provisions on the Approval of Overseas Investment Projects* (境外投資項目核准和備案管理辦法) promulgated by the NDRC and took effect on May 8, 2014, overseas investment projects carried out by PRC enterprises by way of new construction, M&A, share purchase, capital increase and capital injection, and overseas investment projects implemented through its overseas enterprise or entity by way of providing financing or guarantees, are required to obtain approval or lodge filing with NDRC in accordance with the relevant conditions of the overseas investment projects.

MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF CORPORATION LAW IN THE PRC AND HONG KONG

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law. Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

Under Hong Kong law, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. The Company's registered capital is the amount of its issued share capital. Any increase in the Company's registered capital must be approved by our Shareholders' general meeting and shall be approved by/filed with the relevant PRC governmental and regulatory authorities (if applicable).

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

Restrictions on Shareholding and Transfer of Shares

Generally, A Shares of the Company, which are denominated and subscribed for in Renminbi, can be subscribed for and traded by PRC investors, qualified overseas institutional investors or qualified overseas strategic investors, while also being eligible securities under the Northbound Trading Link, A Shares of the Company can be subscribed for and traded by Hong Kong and other overseas investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect.

Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they are also subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares they held in a company, and the shares they held in a company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. There are no restrictions on shareholdings and transfers of shares under Hong Kong law apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholders' disposal of Shares, after the Global Offering.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than 15 days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least 30 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least 20 days before the date of the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is 14 days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting. The notice period for the annual shareholders' general meeting is 21 days.

Quorum for Shareholders' Meetings

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

Voting at Shareholders' Meetings

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and a special resolution is passed by not less than three-fourths of affirmative votes casted by shareholders present in person, or by proxy, at a general meeting.

Variation of Class Rights

The PRC Company Law makes no specific provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in Appendix VI – Summary of Articles of Association.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

As required by the Hong Kong Listing Rules and the Mandatory Provisions, we have adopted in the Articles of Association provisions protecting class rights in a similar manner to those found in Hong Kong law. Holders of overseas listed shares and domestic listed shares are defined in the Articles of Association as different classes. The special procedures for voting by a class of Shareholders shall not apply in the following circumstances: (i) where we issue, either separately or concurrently in any 12-month period, upon approval by special resolutions passed at a general meeting, A shares and H shares not more than 20% of each of the existing A shares and H shares, respectively; (ii) where the plan for the issue of A shares and H shares upon our establishment is implemented within 15 months following the date of approval by the securities regulatory authorities under the State Council or within the stated period as stipulated by applicable requirements, and (iii) where the Company issues and lists its H shares overseas, upon receiving the approval of the State Council or the securities regulatory authorities under the State Council, our shareholders may liquidate the unlisted shares they hold for dealing in overseas.

Derivative Action By Minority Shareholders

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name.

Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

In addition, the Mandatory Provisions provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign Shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

Minority Shareholder Protection

Under the Companies Ordinance, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong. The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a People's Court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of other shareholders, may not relieve a director or supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a director or supervisor of our assets or the individual rights of other shareholders.

Directors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a board of supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Fiduciary Duties

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the CAS, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the CAS.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

Receiving Agent

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Transfers

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Arbitration of Disputes

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the China International Economic and Trade Arbitration Commission. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Remedies of a Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Hong Kong Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty days (extendable to sixty days in certain circumstances) in a year, whereas, as required by the Mandatory Provisions, share transfers shall not be registered within thirty days before the date of convening a general meeting or within five days before the base date of distribution of dividends.

This appendix sets out the summary of the principal provisions and subsequent amendments of the Articles of Association, which will be effective from the date of listing of H Shares on the Stock Exchange. The principal objective of this appendix is to provide potential investors with an overview of the Articles of Association, hence it does not contain all information that may be important to potential investors. As stated in the section "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VIII of this prospectus, the full Chinese text of the Articles of Association is available for inspection.

SHARES

Shares and registered capital

The Shares of the Company shall take the form of stock.

The Company shall at all times have ordinary Shares. The Company may, in accordance with its needs and upon the approval of the company approving authority delegated by the State Council, create Shares of other classes.

The Company shall issue Shares under the principles of openness, fairness and equality that Shares of the same class shall carry same rights. The issue conditions and price per Share of the same class in the same issue shall be the same. The same price shall be paid for each Share subscribed for by any entities or individuals.

The Company may, with approval from the securities regulatory authorities of the State Council, issue Shares to domestic and overseas investors. The Board of the Company may arrange the issue of overseas listed foreign Shares and Domestic Shares as approved by the securities regulatory authorities of the State Council. The Company may separately implement its plan for issuing overseas listed foreign Shares and Domestic Shares pursuant to the preceding paragraph within 15 months from the date of approval of the securities regulatory authorities of the State Council. Where the Company issues overseas listed foreign Shares and Domestic Shares respectively within the total number of Shares specified in the issuance plan, the respective Shares shall be fully paid for in one lump sum. Where it is impossible for respective Shares to be fully paid for in one lump sum under exceptional circumstances, the Shares may be issued in several tranches subject to the approval of the securities regulatory authorities of the State Council.

Increase or decrease of share capital

Pursuant to relevant provisions of the Articles of Association, the Company may, based on its operating and development requirements and in accordance with relevant laws, approve an increase of the capital in the following manners:

(1) Public issuance of Shares;

(2) Non-public issuance of Shares;

(3) Issuance of new Shares to existing Shareholders;

(4) Conversion of capital reserve;

(5) Other methods permitted by laws and administrative regulations or other methods approved by the securities regulatory authorities of the State Council.

The increase of capital by issuing new Shares shall be subject to approval as specified in the Articles of Association and follow the procedures specified by the relevant PRC laws and regulations.

The Company may reduce its registered capital. The reduction of registered capital shall be made in accordance with the Company Law and other relevant laws, regulations and regulatory documents as well as procedures stipulated in the Articles of Association. The Company shall prepare a balance sheet and a list of property inventory for reduction of registered capital.

The Company shall notify its creditors within 10 days from the date of adoption of the resolution to reduce its registered capital and publish an announcement of the resolution in newspapers designated by the relevant regulator of the place where the Shares of the Company are listed within 30 days and post the same on its website and the website of the relevant stock exchange in accordance with the requirements of the place where the Shares of the Company are listed. Creditors shall, within 30 days of receiving the written notice, or within 45 days of the date of the public announcement for those who have not received the written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding security for repayment.

The reduced registered capital of the Company may not be less than the statutory minimum.

Share buyback

The Company may, in the following circumstances, buy back its own outstanding Shares by the procedure provided for in these Articles of Association, subject to approval by the competent state authorities:

(1) Cancellation of Shares in order to reduce its registered capital;

(2) Merger with another company holding Shares of the Company;

(3) Grant of Shares as an incentive to its employees;

(4) Shareholders objecting to resolutions on the merger or division of the Company adopted at a general meeting request the Company to acquire their Shares;

(5) Other circumstances approved by laws or administrative regulations or by the approval authorities delegated by the State Council.

With the approval by the relevant state authorities to buy back its own Shares, the Company may elect to do so by any of the following methods:

(1) Issuance to all Shareholders of a buyback offer on a pro rata basis;

(2) Buyback through open transactions on a stock exchange;

(3) Buyback through an off-market agreement;

(4) Other methods approved by laws, administrative regulations or by the approving authorities delegated by the State Council.

If the Company is to buy back Shares by an off-market agreement, prior approval shall be obtained from the general meeting in accordance with these Articles of Association. Upon prior approval by the general meeting obtained in the same manner, the Company may terminate or vary a contract concluded in the manner set forth above or waive any of its rights under such contract. "Contracts for the buyback of Shares" shall include but not be limited to agreements whereby buyback obligations are undertaken and buyback rights are acquired. The Company may not transfer a contract for the buyback of its own Shares or any of its rights thereunder. With respect to redeemable Shares which the Company has the right to buy back, if the buyback is to be made in a manner other than through the market or by tender, the buyback price must be limited to a maximum price; if the buyback is to be made by tender, tenders shall be available to all Shareholders alike.

In the case of purchases of its own Shares by the Company for the reason specified in item (1) in accordance with the above provisions, such Shares shall be canceled within 10 days from the date of the purchase. As to purchases for the reason specified in item (2) or item (4), such Shares shall be transferred or canceled within six months. As to purchases for the reason specified in item (3), such Shares shall not exceed 5 per cent of the total outstanding Shares of the Company, and the Shares so purchased shall be transferred to the employees within one year.

The total par value of the Shares canceled shall be reduced from the amount of the Company's registered capital.

Share transfer

Unless otherwise provided by laws, administrative regulations and requirements of the Hong Kong Stock Exchange, Shares of the Company may be transferred freely and are not subject to any lien.

The Company shall not accept its own Share certificates as the subject matter of a pledge.

All fully-paid overseas listed foreign Shares listed in Hong Kong may be transferred freely in accordance with these Articles of Association. The Board may refuse to recognize any instrument of transfer without giving any reason unless such transfer is carried out in compliance with the following conditions:

(1) payment of HK$2.50 or higher charge as agreed by the Hong Kong Stock Exchange has been made to the Company for the purpose of registering the instrument of transfer and transfer document and other documents relating to or which may affect the title to the Shares;

(2) the instrument of transfer only involves overseas listed foreign Shares listed in Hong Kong;

(3) the stamp duty payable on the instrument of transfer as required by Hong Kong laws has been paid;

(4) relevant Share certificates and evidence that the transferor has the right to transfer such Shares as reasonably required by the Board have been provided;

(5) if the Shares are to be transferred to joint holders, the number of such joint holders may not exceed four; and

(6) the relevant Shares are not encumbered by any lien of the Company.

Financial assistance for purchasing Shares of the Company

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to purchasers or prospective purchasers of Shares of the Company. The aforementioned purchasers of Shares of the Company shall include persons who directly or indirectly assume obligations as a result of purchasing Shares of the Company.

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to the aforementioned obligors in order to reduce or release them from their obligations. However, the above restrictions shall not apply in the following circumstances:

(1) where the Company provides the relevant financial assistance genuinely for the benefit of the Company and the main purpose of the financial assistance is not to purchase the Shares of the Company, or the financial assistance is an incidental part of some overall plan of the Company;

(2) lawful distribution of the Company's property in the form of dividends;

(3) distribution of dividends in the form of Shares;

(4) reduction of registered capital, buyback of Shares, adjustment of the equity structure, etc. in accordance with these Articles of Association;

(5) provision of a loan by the Company within its scope of business for ordinary business (provided that the net assets of the Company are not thereby reduced or, to the extent that the net assets are thereby reduced, the financial assistance is provided out of the Company's distributable profits);

(6) the provision of money by the Company for contributions to employee share schemes (provided that the net assets of the Company are not thereby reduced or, to the extent that the net assets are thereby reduced, the financial assistance is provided out of the Company's distributable profits).

SHAREHOLDERS AND GENERAL MEETING

Shareholders

The Company's Shareholders are persons who lawfully hold Shares of the Company and whose names are listed on the register of Shareholders. Shareholders shall enjoy the relevant rights and assume the relevant obligations according to the class and number of Shares held by them. Holders of Shares of the same class shall enjoy equal rights and assume equal obligations.

Holders of Domestic Shares and holders of H Shares shall be deemed as different classes of Shareholders. Holders of each class of Shares of the Company shall enjoy equal rights in any distribution of dividends or otherwise.

Holders of ordinary Shares of the Company are entitled to the following rights:

(1) to collect dividends and other distributions in proportion to the number of Shares held by them;

(2) to request, convene, preside over, attend or appoint a proxy to attend general meetings in accordance with the laws and to exercise the corresponding voting rights;

(3) to supervise and manage the business operations of the Company, and to make recommendations or inquiries;

(4) to transfer, gift or pledge Shares held by them in accordance with laws, relevant regulations of the securities regulator of the place where the Shares of the Company are listed and these Articles of Association;

(5) to obtain relevant information in accordance with the laws and these Articles of Association, which shall include:

1. obtaining a copy of these Articles of Association after paying a reasonable charge;

2. being entitled to examine and, after payment of reasonable charges, make a copy of:

(1) all parts of the register of Shareholders;

(2) personal information of the Directors, Supervisors, President and other senior management members of the Company, including:

(a) present and previous names and aliases;

(b) principal address (residence);

(c) nationality;

(d) full-time and all other part-time occupations and positions;

(e) documents of identity and their numbers.

(3) the state of the share capital of the Company;

(4) reports of the aggregate par value, quantity, and highest and lowest prices of each class of Shares bought back by the Company since the last accounting year as well as all the expenses paid by the Company therefor;

(5) the minutes of general meetings; inspect (inspect only) the counterfoils of corporate bonds, Board resolutions, Board of Supervisors resolutions and financial and accounting reports;

(6) copy of the latest annual review report submitted to and filed with the State Administration for Industry & Commerce of the PRC or other competent authorities (if applicable);

pursuant to the Listing Rules of the Hong Kong Stock Exchange, the Company shall make the foregoing documents numbered (1), (3), (4), (5) and (6) available at its domicile and at its place of business in Hong Kong for review by the public and Shareholders free of charge. The Company may refuse any inspection or copying request which involves trade secrets and inside information of the Company.

(6) upon termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company in proportion to the number of Shares held by them;

(7) to request the Company to purchase their Shares when they oppose a resolution on the merger or division of the Company adopted at a general meeting;

(8) other rights conferred by laws, administrative regulations, departmental rules or these Articles of Association.

Any resolutions of the general meeting or the Board that are in breach of laws or administrative regulations will be void. If the procedures of convening or the method of voting at a general meeting or a Board meeting violate the laws, administrative regulations or these Articles of Association, or if the content of a resolution is in breach of these Articles of Association, Shareholders shall have the right to petition a court to revoke such resolution within 60 days from the date on which the resolution is adopted.

In the event that a director or a senior management member violates the laws, administrative regulations or these Articles of Association in performing duties for the Company, and thereby causing the Company to sustain a loss, a Shareholder who alone holds or Shareholders who together hold 1 percent or more of the Company's Shares for at least 180 days in succession have the right to request in writing that the Board of Supervisors institutes a legal action in the People's Court. If the Board of Supervisors violates the laws, administrative regulations or these Articles of Association in performing duties for the Company, thereby causing the Company to sustain a loss, Shareholders may request in writing that the Board institutes a legal action in the People's Court.

If the Board of Supervisors or the Board refuses to initiate legal proceedings upon receipt of the written request of Shareholders stated in the preceding paragraph, or fails to initiate such legal proceedings within thirty days from the date on which such request is received, or in case of emergency where failure to initiate such proceedings immediately will result in irreparable damage to the Company's interests, Shareholders described in the preceding paragraph shall have the rights to initiate legal proceedings in the People's Court directly in their own names in the interests of the Company.

If any person infringes the lawful rights and interests of the Company, thus causing any losses to the Company, the Shareholders as mentioned in the first paragraph of this Article may initiate legal proceedings in the People's Court in accordance with the provisions of the preceding two paragraphs.

If any Director or senior management is in violation of laws, administrative regulations or these Articles of Association, thus causing any losses to the Shareholders, the Shareholders may initiate legal proceedings in the People's Court.

Ordinary Shareholders of the Company shall assume the following obligations:

(1) to abide by laws, administrative regulations and these Articles of Association;

(2) to pay subscription monies based on the Shares subscribed for and the manners in which they subscribed;

(3) to be liable to the Company to the extent of the Shares they subscribed;

(4) not to withdraw the Shares unless required by laws and regulations;

(5) not to abuse their rights as Shareholders to jeopardize the interests of the Company or other Shareholders; and not to abuse the status of the Company as an independent legal person and the limited liability of Shareholders to jeopardize the interests of any creditors of the Company. Where any Shareholder of the Company abuses the Shareholders' rights and incurs losses to the Company or other Shareholders, such Shareholder shall be liable for the damages. Where Shareholders of the Company abuse the Company's status as an independent legal person and the limited liability of Shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such Shareholders shall be jointly and severally liable for the debts owed by the Company;

(6) other obligations imposed by laws and these Articles of Association.

Unless otherwise specified, Shareholders are not liable for making any further contribution to the Share capital other than as agreed by the subscribers of the relevant Shares on subscription.

In addition to obligations imposed by laws, administrative regulations or required by the listing rules of the stock exchanges on which the Shares of the Company are listed, a Controlling Shareholder shall not exercise his voting rights in a manner prejudicial to the interests of all or some of the Shareholders of the Company in respect of the following matters:

(1) to relieve a Director or Supervisor of his duty to act honestly in the best interests of the Company;

(2) to approve the expropriations of the Company's assets in any way by a Director or Supervisor (for his own benefit or for the benefit of another person), including but without limitation, opportunities beneficial to the Company;

(3) to approve the expropriations of the individual rights of other Shareholders by a Director or Supervisor (for his own benefit or for the benefit of another person), including but without limitation, rights to distributions and voting rights except pursuant to a restructuring of the Company which has been submitted to the general meeting for approval in accordance with these Articles of Association.

General rules of the general meeting

The general meeting is the organ of authority of the Company and shall exercise the following functions and powers:

(1) to decide on the Company's operational policies and investment plans;

(2) to elect or replace the Directors and Supervisors (who are not staff representatives) and to decide on matters relating to the remuneration of Directors and Supervisors;

(3) to examine and approve reports of the Board;

(4) to examine and approve reports of the Board of Supervisors;

(5) to examine and approve the proposed annual financial budget and final accounts of the Company;

(6) to examine and approve the Company's proposals for profit distribution and recovery of losses;

(7) to decide on any increase or reduction of registered capital of the Company;

(8) to decide on the issue of corporate bonds;

(9) to decide on merger, division, dissolution, liquidation or change of corporate form of the Company;

(10) to formulate and amend the Articles of Association;

(11) to determine the appointment, dismissal or non-renewal of engagement of accounting firms by the Company;

(12) to consider the motions raised by Shareholders who alone or in aggregate hold 3% or more of the voting Shares of the Company;

(13) to consider and approve the acquisition or disposal of material assets by the Company within one year with the transaction amount exceeding 30% of the latest audited total assets of the Company;

(14) to consider and approve matters relating to changes of the use of proceeds;

(15) to consider and approve share incentive plans;

(16) to consider and approve the external guarantee as stipulated in these Articles of Association;

(17) to consider the connected transactions that are required to be considered and approved by the general meetings under the laws, administrative regulations, departmental rules, regulatory documents and requirements of the securities regulators of the place where the Shares of the Company are listed;

(18) to consider other matters required to be resolved by the general meeting under the laws, administrative regulations, department rules, regulatory documents, relevant requirements of the securities regulators of the place where the Shares of the Company are listed and these Articles of Association.

The general meeting may authorize or delegate the Board to carry out matters so authorized or delegated provided that it does not violate the laws, regulations and mandatory listing rules of the place where the Company is listed.

The following external guarantees to be given by the Company shall be considered and approved by the general meeting:

(1) external guarantee provided by the Company of which the total amount reaches or exceeds 30% of the latest audited total assets;

(2) guarantee offered to Shareholders, actual controllers and their connected parties;

(3) guarantee subject to approval of the general meeting under other laws and these Articles of Association.

Other external guarantee not specified in this Article is subject to approval of the Board as authorized by the general meeting.

Convening of general meeting

General meetings include annual general meetings and extraordinary general meetings. General meetings are usually convened by the Board. Annual general meetings are held once every year within six months after the end of the previous financial year.

An extraordinary general meeting is held within two months after the occurrence of any of the following:

(1) the number of Directors falls below the number stipulated by the Company Law or less than two-thirds of the number specified in these Articles of Association;

(2) the losses of the company which are not recovered reach one-third of the total paid-in share capital of the Company;

(3) when Shareholders alone or in aggregate holding 10% or more of the Shares of the Company make a written request (number of Shares held calculated based on the number of Shares held at the date of written request);

(4) whenever the Board deems necessary;

(5) when the Board of Supervisors so requests;

(6) more than half of the independent non-executive Directors of the Company agree to the convening;

(7) other circumstances as provided by laws and these Articles of Association.

More than half of the independent non-executive Directors shall have the rights to propose to the Board to convene an extraordinary general meeting and such proposal shall be submitted in writing. Regarding the proposal requesting to convene an extraordinary general meeting by the independent non-executive Directors, the Board shall give a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after receiving the proposal in accordance with the laws and these Articles of Association. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within 5 days after the resolution is made by the Board. If the Board does not agree to hold the extraordinary general meeting, it shall give reasons in writing and publish an announcement.

The Board of Supervisors shall propose to the Board in writing to convene an extraordinary general meeting. The Board shall give a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after receiving the proposal in accordance with the laws, administrative regulations and these Articles of Association. If the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the Board resolution and any changes to the original proposal contained in the notice shall be subject to the approval of the Board of Supervisors. If the Board disagrees to convene the extraordinary general meeting or does not give any written reply within ten days after receiving the proposal, the Board shall be deemed as failing to perform or not performing the duty of convening a general meeting. In such case, the Board of Supervisors may convene and preside over the meeting.

Shareholders individually or jointly holding more than 10% of Shares of the Company are entitled to request the Board to convene an extraordinary general meeting and such proposal shall be submitted in writing. The Board shall give a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within 10 days after receiving the proposal in accordance with the laws and these Articles of Association.

If the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five days after the date of the Board resolution and any changes to the original proposal contained in the notice shall be subject to the approval of the relevant Shareholders.

If the Board disagrees to convene the extraordinary general meeting or does not give any written reply within ten days after receiving the proposal, Shareholders individually or jointly holding more than 10% of the Shares of the Company are entitled to request the Board of Supervisors to convene an extraordinary general meeting. The Shareholders shall submit the proposal of convening the extraordinary general meeting to the Board of Supervisors in writing.

If the Board of Supervisors agrees to convene the extraordinary general meeting, it shall issue a notice of convening the general meeting within 5 days upon receipt of the proposal. Any changes made to the original proposals in the notice shall be agreed by the relevant Shareholders.

If the Board of Supervisors does not issue the notice of general meeting within the prescribed period, it shall be deemed as the Board of Supervisors not convening and not presiding the general meeting. Shareholders individually or jointly holding more than 10% of the Shares of the Company for more than 90 consecutive days are entitled to convene and hold the meeting by themselves.

In the case of the Shareholders request for the convening of the extraordinary general meeting or class meeting, the following procedures shall be followed:

(1) Two or more Shareholders who collectively hold 10% or more of the Shares carrying voting rights on the proposed general meeting can request the Board to convene a class meeting by signing one or several copies of written request(s) in the same form and content and stating the motions proposed. The Board shall convene the class meeting as soon as practicably upon receipt of the aforesaid written request. The number of Shares held as referred to above shall be calculated as at the date of the written request.

(2) If the Board fails to issue a notice on the convening of meeting within 30 days after receiving the aforesaid written request, the proposing Shareholders are entitled to convene the meeting within four months from the receipt of the request by the Board. The procedure of convening shall be the same as the procedure for the Board to convene a general meeting as much as possible.

Where the Shareholders convene and hold the meeting due to the Board's failure to hold the meeting according to the foregoing request, all reasonable expenses incurred shall be borne by the Company and deducted from the amount owed by the Company to the delinquent Directors.

Motions of the general meeting

The contents of motions before the general meeting shall fall within the scope of the functions and powers of the general meeting, contain a clear topic and a specific resolution and comply with relevant provisions of laws and these Articles of Association. Motions before the general meeting shall be in writing.

When the Company is to hold an annual general meeting, the Board, the Board of Supervisors and a Shareholder alone or Shareholders together holding at least 3 percent of the Company's Shares shall be entitled to propose motions to the Company.

A Shareholder alone or Shareholders together holding at least 3 percent of the Shares of the Company may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. The contents of such extempore motion shall fall within the scope of the functions and powers of the general meeting, and contain a clear topic and a specific resolution. Except as provided in the preceding paragraph, the convener may not make any changes to the motions set forth in the notice of the general meeting or add any new motions once the notice of the general meeting has been issued. The general meeting may not vote and pass resolution on motions that are not set forth in the notice of the general meeting or that are in breach of these Articles of Association.

Notice of the general meeting

When the Company is to hold a general meeting, it shall issue a written notice of the meeting to Shareholders 45 days prior to the meeting (excluding the date of meeting) informing all the registered Shareholders of the matters to be considered at the meeting and the date and place of the meeting. Shareholders that intend to attend the general meeting shall, within 20 days prior to the day on which the meeting is to be held, serve a written reply on the Company stating that they will attend the meeting. In determining the commencement date and the period, the Company shall not include the date on which the meeting is held. For the notice delivered under this Article, the date of delivery shall be the date on which the notice is severed on relevant post office by the Company or its share registrar.

Based on the written replies received 20 days before the general meeting is to be held, the Company shall calculate the number of voting shares represented by the Shareholders intending to attend the meeting. If the number of voting shares represented by the Shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the general meeting. If not, the Company shall, within five days, inform the Shareholders once again of the matters to be considered at the meeting and the date and place of the meeting in the form of a public announcement. After such notification by public announcement, the Company may hold the general meeting.

Resolution of general meeting

When a Shareholder (or a proxy) exercises his voting rights based on the number of voting shares which he represents at the general meeting, each Share shall entitle him to one vote. No voting rights shall be attached to the Shares held by the Company, and such Shares shall not be counted among the total number of voting shares present at a general meeting.

Resolutions of the general meeting are divided into ordinary resolutions and special resolutions. Ordinary resolutions of the general meeting shall be adopted by Shareholders in attendance (including proxies) holding at least half of the voting rights. Special resolutions of the general meeting shall be adopted by Shareholders in attendance (including proxies) holding more than two-thirds of the voting rights.

Decisions of the general meeting on any of the following matters shall be adopted by ordinary resolution:

(1) work reports of the Board and the Board of Supervisors;

(2) the profit distribution plans and plans for making up losses drafted by the Board;

(3) the appointment, dismissal and remuneration of the members of the Board and the Board of Supervisors and the method of payment of the remuneration;

(4) the proposed annual financial budgets and final accounts of the Company;

(5) balance sheets, profit statements and other financial statements;

(6) the Company's annual reports;

(7) matters other than those require to be adopted by special resolution under the laws, administrative regulations, the listing rules of stock exchange on which the Company's Shares are listed or these Articles of Association.

Decisions of the general meeting on any of the following matters shall be adopted by special resolution:

(1) the increase or reduction of the registered capital and issuance of any class of Shares, warrants or other similar securities by the Company;

(2) the issuance of corporate bonds;

(3) the division, merger, dissolution, liquidation or change in the corporate form of the Company;

(4) the amendment of the Articles of Association;

(5) the acquisition or disposal of material assets by the Company within one year or the provision of guarantee of which the amounts exceeds, alone or in aggregate, 30 percent of the latest audited total assets of the Company;

(6) equity incentive plans;

(7) other matters which the general meeting has adopted as having material impact on the Company by ordinary resolution and are required to be adopted by special resolution under the laws, administrative regulations, the listing rules of stock exchange on which the Company's Shares are listed or these Articles of Association.

Article 113 When the general meeting considers matters relating to a connected transaction, the connected Shareholders shall not participate in the vote, and the number of voting shares represented by them shall not be counted toward the total number of valid voting shares. The announcement of the resolutions of the general meeting shall fully disclose the voting results of the unconnected Shareholders.

Special voting procedure for class Shareholders

Shareholders that hold different classes of Shares shall be class Shareholders. Class Shareholders shall enjoy rights and assume obligations in accordance with laws, administrative regulations and these Articles of Association. In addition to the holders of other classes of Shares, holders of Domestic shares and holders of overseas listed foreign shares shall be deemed as different classes of Shareholders.

If the Company intends to vary or abrogate rights of class Shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution at the general meeting and by a separate class meeting convened by the affected class Shareholders in accordance with these Articles of Association.

Rights of Shareholders of a certain class shall be deemed to be varied or abrogated under the following circumstances:

(1) the increase or decrease of the number of Shares of such class, or increase or decrease of the number of Shares of a class having voting rights, distribution rights or other privileges equal or superior to those of the Shares of such class;

(2) the conversion of all or part of the Shares of such class into Shares of another class, or the conversion of all or part of the Shares of another class into Shares of such class or the grant of the right to such conversion;

(3) the removal or reduction of rights to accrued dividends or cumulative dividends attached to Shares of such class;

(4) the reduction or removal of a dividend preference, or a property distribution preference during liquidation of the Company attached to Shares of such class;

(5) the addition, removal or reduction of share conversion rights, options, voting rights, transfer rights, preemptive rights to rights issues or rights to acquire securities of the Company attached to Shares of such class;

(6) the removal or reduction of rights to receive amounts payable by the Company in particular currencies attached to Shares of such class;

(7) the creation of a new class of Shares with voting rights, distribution rights or other privileges equal or superior to those of the Shares of that class;

(8) the imposition of restrictions or additional restrictions on the transfer of ownership of Shares of such class;

(9) the issuance of rights to subscribe for, or convert into, Shares of such class or another class;

(10) the increase of the rights and privileges of Shares of another class;

(11) such restructuring of the Company as would cause Shareholders of different classes to bear disproportionate liabilities under the restructuring;

(12) the amendment or abrogation of the provisions of this Chapter.

Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall have right to vote at class meetings in respect of any of the matters referred to in items (2) to (8) and items (11) to (12) of Article 95, except that interested Shareholders shall not have the right to vote at class meetings.

Resolutions of a class meeting may be passed only by two-thirds or more of the equity interests carrying voting rights that are represented at the class meeting in accordance with Article 86.

The special voting procedures for class Shareholders shall not apply in the following circumstances:

(1) where, as approved by way of a special resolution of the general meeting, the Company issues, either separately or concurrently, Domestic shares and overseas listed foreign shares every 12 months, and the number of Domestic shares and overseas listed foreign shares intended to be issued does not exceed 20 percent of the outstanding Shares of the respective classes;

(2) where the plan for the issuance of Domestic shares and overseas listed foreign shares upon the establishment of the Company is completed within 15 months from the date of approval by the securities authorities of the State Council;

(3) where, subject to the approval of the securities regulatory authorities of the State Council, the Shares of the Company held by Domestic Shareholders are transferred to overseas investors and listed and traded on a foreign stock exchange.

DIRECTORS AND BOARD

Directors

Directors shall be elected by the general meeting and serve a term of three years. Upon the expiration of their terms, they may serve consecutive terms if re-elected.

Directors shall not be required to hold shares of the Company.

The term of office of a Director shall commence from the date on which he assumes his position and end on the expiration of the current session of the Board. If an election is not timely held at the expiration of the term of service of a Director, the incumbent Director shall continue to perform his duties as a Director in accordance with laws, administrative regulations and these Articles of Association until the newly elected Director assumes position.

The Company shall have independent non-executive Directors. An independent non-executive Director is a Director who does not hold any position in the Company other than independent non-executive Director and who has no relationship with the Company or its substantial Shareholders that could hinder his making independent and objective judgments. At least one-third of the members of the Board of the Company shall be independent non-executive Directors, and there shall be no less than three independent non-executive Directors in total, of whom at least one shall have the appropriate professional qualification or have the appropriate accounting or relevant financial management expertise, and fulfill the requirements of Rule 3.10(2) of the Hong Kong Listing Rules.

Independent non-executive Directors shall have independence as required under Rule 3.13 of the Hong Kong Listing Rules.

Board

The Company has a Board which consists of ten Directors, among which four of them are independent non-executive Directors. The Board has one honorary Chairman, one Chairman and one Vice Chairman, all being elected by more than half of the Directors.

The Board shall be accountable to the general meeting and exercise the following functions and powers:

(1) to convene general meetings and to report on its work to the general meeting;

(2) to implement the resolutions of the general meeting;

(3) to decide on the business plans and investment plans of the Company;

(4) to formulate the annual financial budgets and final accounts of the Company;

(5) to formulate the profit distribution plans and plans for making up losses of the Company;

(6) to formulate plans for the increase or reduction of the registered capital of the Company and plans for the issuance of Shares, bonds or other securities and plans for listing;

(7) to draft plans for the major acquisitions and buyback of the Company's own Shares, merger, division or dissolution or changes in the corporate form of the Company;

(8) to decide on such matters as the Company's investments in third parties, purchase and sale of assets, asset mortgages, the provision of guarantee for third parties, entrustment of financial services, connected transactions, etc., to the extent authorized by the general meeting;

(9) to decide on the establishment of the internal management organization of the Company, and the establishment or abolishment of the branches or representative offices of the Company;

(10) to engage or dismiss the President and Secretary to the Board of the Company; to engage or dismiss such senior management members as Vice Presidents and the Financial Controller, as proposed by the President, and decide on matters relating to their remuneration, rewards and punishments;

(11) to formulate the basic management system of the Company;

(12) to formulate amendments to these Articles of Association;

(13) to manage the information disclosure of the Company;

(14) to propose to the general meeting the appointment or replacement of the accounting firm that provides the audit service on the annual financial statements of the Company and determine its audit fees;

(15) to listen to the work reports of the President of the Company and inspect his work;

(16) to determine the establishment and composition of the special committees of the Board;

(17) other functions and powers provided for in laws, regulations and the listing rules of the stock exchanges of the place where the Shares of the Company are listed or conferred by the general meeting and these Articles of Association.

Resolutions by the Board on the matters referred to in the preceding paragraph shall be passed by more than half of all of the Directors with the exception of resolutions on the matters referred to in items (6), (7) and (12), which shall require the approval of at least two-thirds of all Directors.

The Chairman of the Board shall exercise the following functions and powers:

(1) to preside over general meetings and to convene and preside over Board meetings;

(2) to procure and inspect the implementation of the resolutions of the general meeting and the Board;

(3) to sign important documents of the Board and other documents required to be signed by the legal representative of the Company;

(4) to sign the share certificates, corporate bonds and other negotiable securities of the Company;

(5) in case of emergency circumstances of force majeure events such as war, extraordinary natural disasters, to exercise special discretion and power of disposition which comply with the laws, regulation and rules and are in the interests of the Company on matters of the Company and provide post-event reports to the Board and the general meeting;

(6) to listen to the report of the President, other senior management and person in charge of the invested enterprises of the Company;

(7) the Board authorizes the Chairman of the Board to decide on the following issues:

1. any pledge of assets and investment in third parties with a transaction amount being more than 1% but less than 3% of the latest audited net assets of the Company;

2. any entrusted wealth management with a transaction amount being less than 3% of the latest audited net assets of the Company;

3. any bank loan with an amount within the credit limit approved by the Board and being more than 10% of the latest audited net assets of the Company;

4. any donation with a single amount being less than RMB3 million and the total amount within a year being less than RMB10 million, and the total amount to the same receiver in the same year being less than RMB3 million;

5. acquisition and disposal of material assets within a year with an amount of more than RMB50 million but less than 3% of the latest audited net assets of the Company.

(8) other functions and powers conferred by laws, regulations, Articles of Association or the Board.

Board meetings include regular meetings and interim meetings. The Board shall hold at least four regular meetings each year. Meetings shall be convened by the Chairman of the Board.

The Chairman of the Board, Shareholders representing 10 percent or more of the voting rights, more than one-third of the Directors, President and the Board of Supervisors may propose to convene an interim Board meeting. The Chairman of the Board shall convene and preside over the Board meeting within 10 days from the receipt of proposal.

Notice of Board meeting and interim Board meeting shall be delivered in person, by mail or facsimile. The notice of regular Board meetings shall be delivered 14 days before the meeting and the notice of interim Board meetings shall be delivered in writing to all Directors, Supervisors, President and Secretary to the Board 5 days before the meeting. In case of emergency where an interim Board meeting shall be convened as soon as possible, notice of the meeting may be given at any time by telephone or other oral methods, provided that the explanation thereof is given by the convener at the meeting and recorded in the minutes of the meeting.

Meetings of the Board may be held only if more than one half of the Directors or their proxies are present.

For a motion deliberated on at a Board meeting and adopted as a resolution, more than half of all the Directors must cast an affirmative vote therefor. When the numbers of votes for and against are equal, the Chairman shall be entitled to an extra vote. If the laws or these Articles of Association require the consent of a larger number of Directors for the adoption of a resolution, such provisions shall prevail.

The Board shall keep minutes of its decisions on the matters considered at its meetings. The Directors attending a meeting and the person taking the minutes shall sign the minutes of the meeting. The minutes shall be keep for a period of 10 years. Directors shall be liable for the resolutions of the Board. Where a resolution of the Board violates the laws, administrative regulations or these Articles of Association and results in significant losses to the Company, the Directors who took part in such resolution shall be liable for indemnification to the Company, except that in the case where a Director has expressly objected to the resolution put to the vote, and where such objection is recorded in the minutes of the meeting, he may be relieved of such liability.

If a Director has a connected relationship with an enterprise involved in a matter on which a resolution is to be made at the Board meeting, he may not exercise his right to vote regarding such resolution, nor may he exercise the voting right as a proxy of another Director. Such Board meeting may be held if more than one half of the Directors without a connected relationship are present, and the resolutions made at such Board meeting shall require the approval of more than one half of the Directors without a connected relationship. If the Board meeting is attended by less than three Directors without a connected relationship, the matter shall be submitted to the general meeting for consideration.

Special committees of the Board

Where necessary, the Board may establish relevant special committees such as the nomination committee, audit committee and remuneration and appraisal committee to provide advice and suggestions for the material decisions of the Board and the exercise of duties by the Chairman of the Board within the scope of authorization of the Board. The Board shall formulate separate rules of procedure for each of the special committees of the Board to determine the composition, duties and procedures of meetings of such special committees.

Secretary to the Board

The Company shall have a Secretary to the Board, who shall be engaged and dismissed by the Board. The Secretary to the Board shall be a senior management member of the Company and be accountable to the Company and the Board.

The main duties of the Secretary to the Board are set forth below:

(1) to prepare and deliver reports and documents issued by the Board and general meetings as required by relevant state authorities;

(2) to organize Board meetings and general meetings and take charge of meeting minutes and keeping meeting documents and records;

(3) to handle information disclosure of the Company;

(4) to ensure that individuals who are entitled to obtain relevant records and documents may access to them in time;

(5) other duties as provided by laws, regulations and these Articles of Association and as required by the securities regulators of the place where the Shares of the Company are listed.

Directors or other senior management members of the Company, except the President and Financial Controller, may concurrently hold the office of Secretary to the Board. Any accountant from accounting firm or lawyer from law firm which has been appointed by the Company shall not act as the Secretary to the Board.

Where the office of Secretary to the Board is held concurrently by a Director, and an act is required to be done by a Director and a Secretary to the Board separately, the person who holds the office of Director and Secretary to the Board shall not perform the act in a dual capacity.

President and other senior management members

The Company shall have a President and several Vice Presidents, all of whom shall be appointed or dismissed by the Board. The President and Vice Presidents shall serve a term of three years and may serve consecutive terms if reappointed. A Director may concurrently serve as President or Vice President, but the Chairman shall not concurrently serve as President.

The President shall be accountable to the Board and exercise the following functions and powers:

(1) to be in charge of the production, operation and management of the Company, to organize the implementation of Board resolutions, and to report on his work to the Board;

(2) to arrange for the implementation of the annual business plans and investment plans of the Company;

(3) to draft the plan for establishment of the internal management organization of the Company;

(4) to draft the basic management system of the Company;

(5) to formulate the basic rules and regulations of the Company;

(6) to request the Board to engage or dismiss the Vice President and Financial Controller of the Company;

(7) to engage or dismiss management personnel other than those to be engaged or dismissed by the Board;

(8) to propose the holding of interim Board meetings;

(9) to decide on the investment, financing, contract and transaction of the Company as authorized by the Articles of Association and the Board;

(10) other functions and powers conferred by these Articles of Association or the Board.

The President shall attend Board meetings and if he is not also a Director, he shall not have the right to vote at Board meetings.

SUPERVISORS AND BOARD OF SUPERVISORS

Supervisors

Directors, the President and other senior management members may not concurrently serve as Supervisors. Supervisors shall serve a term of three years. Upon expiration of their terms, they may serve consecutive terms if re-elected.

Board of Supervisors

The Company shall have a Board of Supervisors, which shall consist of five Supervisors. The Board of Supervisors shall have one chairman, whose appointment and dismissal shall be subject to the approval of at least two-thirds of the members of the Board of Supervisors. Supervisors who are not staff representatives shall be elected or removed from office by the general meeting, and Supervisors who are staff representatives shall be democratically elected or removed from office by the Company's employees. Supervisors who are staff representatives shall not be less than one-third of the number of Supervisors.

The Board of Supervisors shall be accountable to the general meeting and exercise the following functions and powers:

(1) to review the regular reports of the Company prepared by the Board and to submit review opinions in writing;

(2) to examine the Company's finances, and, when necessary, it may appoint a separate accounting firm in the name of the Company to independently review the Company's finances;

(3) to supervise the Directors, the President and other senior management members in the performance of their duties and to propose the removal of Directors or senior management members who are in violation of laws, these Articles of Association or resolutions of the general meeting;

(4) if the action of a Director or the President or senior management member is detrimental to the Company's interests, to require him to correct such act;

(5) to propose the convening of extraordinary general meetings and, in the event that the Board fails to perform its duty of convening and presiding over a general meeting, to convene and preside over such a meeting in accordance with the laws;

(6) to submit motions to the general meeting;

(7) to initiate litigation against Directors or senior management members in accordance with relevant laws;

(8) to conduct an investigation and, if necessary, engage professional organizations, such as accounting firms and law firms, to assist in its work in the event that it discovers any irregularities in the Company's operations.

The reasonable expenses incurred in engaging a professional, such as a lawyer, certified public accountant, professional auditor, etc., by the Board of Supervisors in exercising its functions and powers shall be borne by the Company.

The Board of Supervisors shall hold at least one meeting every six months, which is to be convened by the chairman of the Board of Supervisors. Supervisors may propose to convene the interim meeting of the Board of Supervisors.

Each Supervisor shall have one vote. Resolution of the Board of Supervisors is subject to approval of at least two-thirds of the Supervisors for adoption.

Qualifications and obligations of the Directors, Supervisors and other senior management members of the Company

None of the following persons may serve as a Director, Supervisor, President or other senior management members of the Company:

(1) persons without capacity or with limited capacity for civil acts;

(2) persons who were sentenced to criminal punishment for corruption, bribery, misappropriation of property or diversion of property or for disrupting the order of the socialist market economy, where not more than five years have elapsed since the expiration of the period of punishment; or persons who were deprived of their political rights for committing a crime, where not more than five years have elapsed since the expiration of the period of deprivation;

(3) persons who served as Directors, or factory directors or managers, who bear personal liability for the bankruptcy and liquidation of their companies or enterprises, where not more than three years have elapsed since the date of completion of the bankruptcy and liquidation;

(4) persons who served as the legal representatives of companies or enterprises that had their business licenses revoked or were ordered to shut down for breaking the laws, where such representatives bear individual liability therefor and not more than three years have elapsed since the date of revocation of the business license;

(5) persons with comparatively large debts that have fallen due but have not been settled;

(6) persons whose cases have been placed on the docket and are being investigated by the judicial authorities due to violation of the criminal law, and such cases are still pending;

(7) persons who may not serve as leaders of enterprises by virtue of laws;

(8) non-natural persons;

(9) persons ruled by a competent authority to have violated securities regulations, where such violation involved fraudulent or dishonest acts and not more than five years have elapsed since the date of the ruling.

The validity of an act of a Director, President or other senior management members on behalf of the Company is not, vis-a-vis a bona fide third party, affected by any irregularity in his office, election or any defect in his qualification.

The Company's Directors, Supervisors, President and other senior management members must, in the performance of their duties and responsibilities, abide by the fiduciary principle and shall not place themselves in a position where their personal interests and their duties may conflict. This principle shall include but not be limited to the fulfillment of the following obligations:

(1) to act in good faith for the best interest of the Company;

(2) to exercise powers within the scope of their functions and powers and not to exceed such powers;

(3) to personally exercise the discretion vested in him and not allow himself to be manipulated by another person and, unless permitted by laws or with the informed consent of the general meeting, not to delegate the exercise of his discretion;

(4) to accord equal treatment to Shareholders of the same class and fair treatment to Shareholders of different classes;

(5) not to conclude a contract or enter into a transaction or arrangement with the Company except as otherwise provided in these Articles of Association or with the informed consent of the general meeting;

(6) not to use Company property for his own benefit in any way without the informed consent of the general meeting;

(7) not to use his functions and powers as a means to accept bribes or other forms of illegal income, and not to illegally appropriate Company property in any way, including but not limited to any opportunities that are advantageous to the Company;

(8) not to accept commissions in connection with the transactions of the Company without the informed consent of the general meeting;

(9) to abide by these Articles of Association, to perform his duties faithfully, to protect the interests of the Company, and not to use his position, functions and powers in the Company to seek personal gain;

(10) not to use the advantages of his office to appropriate for himself or for others, business opportunities which otherwise belong to the Company, operate a business for his own account or on behalf of others which is of the same type as the Company's business or compete with the Company in any way without the informed consent of the general meeting;

(11) not to divert Company funds, not to deposit Company assets or funds in accounts opened in his own or in another name, not to use Company property as security for the debts of Shareholders of the Company or other individuals;

(12) without the informed consent of the general meeting, not to disclose confidential information relating to the Company that was acquired during his tenure; and not to use such information except in the furtherance of the interests of the Company; however, such information may be disclosed to a court or other competent government authorities if:

1. provided for by law;

2. required in the public interest;

3. required in the personal interest of such Director, Supervisor, President or other senior management members of the Company.

If a Director, a Supervisor, President or other senior management members of the Company is, directly or indirectly, materially interested in a contract, transaction or arrangement concluded or planned by the Company (excluding his engagement contract with the Company), he shall disclose the nature and extent of his interest to the Board at the earliest opportunity, whether or not the matter is normally subject to the approval of the Board.

The Company may not in any manner pay tax on behalf of its Directors, Supervisors, President or other senior management members.

The Company may not directly or indirectly provide a loan to, or loan guarantees for, its Directors, Supervisors, President and other senior management members or those of its controlling Shareholders, or provide loans to or loan guarantees for connected persons of the above-mentioned persons.

The provisions of the preceding paragraph shall not apply to the following circumstances:

(1) the provision by the Company of a loan to or a loan guarantee for its subsidiaries;

(2) the provision by the Company of a loan, loan guarantee or other monies to a Director, a Supervisor, the President or other senior management members of the Company under an engagement contract approved by the general meeting, so as to enable him to meet the expenses incurred for the purposes of the Company or for the performance of his Company duties; and

(3) the provision by the Company of a loan or a loan guarantee to a relevant Director, a Supervisor, the President or other senior management members of the Company or to a connected person thereof on normal commercial terms, if the ordinary scope of business of the Company extends to include the lending of money or the provision of loan guarantees.

A loan provided by the Company in breach of the preceding Article shall be immediately repayable by the recipient of the loan, regardless of the terms of the loan.

If a Director, a Supervisor, the President or other senior management members of the Company breaches his obligations to the Company, the Company shall, in addition to any rights and remedies provided by the laws and administrative regulations, have the right to:

(1) require the relevant Director, Supervisor, President or other senior management members to compensate for the losses sustained by the Company as a consequence of his dereliction of duty;

(2) rescind any contract or transaction concluded by the Company with the relevant Director, Supervisor, President or other senior management members and contracts or transactions with a third party (where such third party is well aware or should know that the Director, Supervisor, President or other senior management members representing the Company was in breach of his obligations to the Company);

(3) require the relevant Director, Supervisor, President or other senior management members to surrender the gains derived from the breach of his obligations;

(4) recover any monies received by the relevant Director, Supervisor, President or other senior management members that should have been received by the Company, including but not limited to commissions;

(5) require the relevant Director, Supervisor, President or other senior management members to return the interest earned or possibly earned on the monies that should have been given to the Company.

The Company shall conclude written contracts with each Director and Supervisor of the Company concerning his remuneration and obtain the prior approval of the general meeting.

The Company shall specify in the contract concluded with a Director or Supervisor concerning his remuneration that in the event of a takeover of the Company, a Director or Supervisor of the Company shall, subject to prior approval of the general meeting, have the right to receive the compensation or other monies obtainable for loss of office or retirement.

FINANCIAL AND ACCOUNTING SYSTEMS AND DISTRIBUTION OF PROFITS

Financial and accounting systems

The Company shall formulate its financial and accounting systems in accordance with PRC laws and the PRC accounting standards formulated by relevant state authorities.

The Company shall prepare its financial statements in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the place where the Company's Shares are listed overseas. In case of any material difference between the financial statements prepared respectively in accordance with the two accounting standards, explanations shall be made in the notes to financial statements. Allocation of the after-tax profit for a given accounting year shall be based on the lesser of the profit after tax as shown in the two sets of financial statements.

The interim results or financial information announced or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as the international accounting standards or the accounting standards of the place where the Company's Shares are listed overseas.

The Company shall publish financial reports twice every accounting year, namely an interim financial report within 60 days after the end of the first six months of the accounting year and an annual financial report within 120 days after the end of the accounting year.

The Company shall not keep accounts other than those provided by law.

Profit distribution

When the Company distributes its after-tax profits for a given year, it shall allocate 10 percent of profits to its statutory common reserve. The Company shall no longer be required to make allocations to its statutory common reserve once the aggregate amount of such reserve exceeds 50 percent of its registered capital.

If the Company's statutory common reserve is insufficient to make up losses from previous years, the Company shall use its profits from the current year to make up such losses before making the allocation to its statutory common reserve in accordance with the preceding paragraph.

After making the allocation from its after-tax profits to its statutory common reserve, the Company may, subject to a resolution of the general meeting, make an allocation from its after-tax profits to the discretionary common reserve.

After the Company has made up its losses and made allocations to its common reserves, the remaining profits after tax of the Company shall become profit distributable to Shareholders and be distributed in proportion to the shareholdings of its Shareholders in accordance with the resolution of the general meeting.

If the general meeting breaches the provisions of the preceding paragraph by distributing profits to Shareholders before the Company has made up its losses and made allocations to the statutory common reserve, the Shareholders must return to the Company the profits that were distributed in breach of the said provisions.

Shares of the Company that are held by the Company itself shall not participate in the distribution of profits.

The capital common reserve shall include the following funds:

(1) the premiums obtained from the issue of Shares above par;

(2) other revenue required by the finance authority of the State Council to be included in the capital common reserve.

The Company's common reserves shall be used to make up the Company's losses, to expand the Company's production and operations or, through conversion into capital, to increase the Company's capital. However, the capital common reserve may not be used to make up the Company's losses.

When funds in the statutory common reserve are converted into capital, the funds remaining in such reserve shall not be less than 25 percent of the Company's registered capital before the conversion.

The Company may distribute dividends in the form of cash or Shares.

The Company shall appoint receiving agents for holders of overseas listed foreign shares to collect on behalf of the relevant Shareholders the dividends distributed and other monies payable in respect of overseas listed foreign shares, and hold the same until they can be paid to the relevant Shareholders.

The receiving agents appointed by the Company shall meet the requirements of the laws of the place, or the relevant regulations of the stock exchange, where Shares are listed.

The receiving agents appointed by the Company for the holders of overseas listed foreign shares listed on the Hong Kong Stock Exchange shall be trust companies registered under the Trustee Ordinance of Hong Kong.

Accounting firm

The Company shall appoint an independent accounting firm which is qualified under the relevant state regulations to audit the Company's annual financial report and review other financial reports of the Company.

The accounting firm appointed by the Company shall hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting.

The accounting firm appointed by the Company to perform annual audit shall be entitled to the following rights:

(1) to review the financial statements, records or vouchers of the Company at any time, to require the Directors, President or other senior management members of the Company to provide relevant information and explanations;

(2) to require the Company to take all reasonable steps to obtain from its subsidiaries such information and explanation as are necessary for the performance of its duties as an accounting firm;

(3) to attend the general meetings and to receive all notices of, and other communications relating to, any general meeting which any Shareholder is entitled to receive, and to speak at any general meeting in relation to matters concerning its role as the Company's accounting firm.

The general meeting may by ordinary resolution decide to dismiss any accounting firm prior to the expiration of its term of engagement, notwithstanding anything in the contract between the accounting firm and the Company, but without prejudice to such accounting firm's right, if any, to claim damages from the Company in respect of such dismissal.

The remuneration or method of determining the remuneration of an accounting firm shall be decided upon by the general meeting. The Board shall determine the remuneration of an accounting firm engaged by the Board.

The engagement, dismissal or non-renewal of engagement of an accounting firm shall be decided upon by the general meeting and be reported to the securities authorities of the State Council for record.

Dissolution and liquidation

The Company shall be dissolved and liquidated according to the laws upon the occurrence of the following events:

(1) the dissolution is resolved by the general meeting;

(2) dissolution is necessary due to merger or division;

(3) the Company is legally declared bankrupt due to its failure to repay debts due;

(4) the Company's business license is revoked or the Company is ordered to close down or de-registered by laws and regulations;

(5) in the event that the Company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss to the interest of Shareholders, and where this cannot be resolved through other means, Shareholders who hold more than 10% of the total Shareholders' voting rights of the Company may present a petition to the People's Court for the dissolution of the Company;

(6) other circumstances where the Company shall be dissolved in accordance with laws and regulations.

Where the Company is to be dissolved pursuant to Clause (1), (4) and (5) of the preceding Article, a liquidation committee shall be set up within 15 days. The members of such liquidation committee shall be determined by the Board or general meeting. If a liquidation committee is not set up within the specified period, the creditors may apply to the People's Court for appointment of relevant persons to form a liquidation committee.

Where the Company is dissolved pursuant to Clause (3) of the preceding Article, the People's Court shall organize the Shareholders, relevant organizations and relevant professionals to form a liquidation committee to proceed with the liquidation in accordance with the laws.

Where the Board proposes to liquidate the Company due to causes other than where the Company has declared that it is insolvent, the Board shall include a statement in its notice convening a general meeting to consider the proposal, to the effect that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to pay its debts in full within twelve months from the commencement of the liquidation.

Upon the establishment of the liquidation committee, all duties and powers of the Board shall cease.

The liquidation committee shall exercise the following functions and powers during liquidation:

(1) to inventory the Company's property, and to prepare a balance sheet and property list;

(2) to inform creditors by notice and public announcement;

(3) to dispose of unfinished business of the Company relating to the liquidation;

(4) to make full payment of taxes owed and of taxes incurred during the liquidation process;

(5) to liquidate claims and debts;

(6) to dispose of the Company's remaining property after the debts are paid in full;

(7) to represent the Company in civil actions.

The liquidation committee shall notify creditors within a period of 10 days from the date of its establishment and make announcements of the liquidation in the newspapers within 60 days. Creditors shall declare their claims to the liquidation committee within 30 days from the date of receipt of the written notice or, if they did not receive a written notice, within 45 days from the date of the announcement.

When declaring their claims, creditors shall explain the particulars relevant to their claims and submit supporting documentation. The liquidation committee shall register the claims.

During the claim declaration period, the liquidation committee may not repay any debts to creditors.

After the liquidation committee has inventoried the Company's property and prepared a balance sheet and property list, it shall formulate a liquidation plan and submit such plan to the general meeting or the competent authorities for confirmation.

During liquidation, the Company shall continue to exist but may not engage in any business activities unrelated to the liquidation. The Company's property will not be distributed to the Shareholders until it has been applied to the making of the payments mentioned in the preceding paragraph.

If the liquidation committee, having inventoried the Company's property and prepared a balance sheet and property list, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the People's Court for a declaration of bankruptcy.

After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the People's Court.

Following completion of the liquidation, the liquidation committee shall prepare a liquidation report, as well as a revenue and expenditure statement and financial account books in respect of the liquidation period, and, after verification thereof by a PRC certified public accountant, submit the same to the general meeting or the competent authorities for confirmation. Within 30 days from the date of confirmation of the aforementioned documents by the general meeting or the competent authorities, the liquidation committee shall submit the same to the company registrar, apply for cancellation of the Company's registration and publicly announce the Company's termination.

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Company may make amendments to the Articles of Association in accordance with laws, administrative regulations and the Articles of Association.

Except as otherwise provided in these Articles of Association, these Articles of Association shall be amended by the following procedures:

(1) the Board adopts a resolution in accordance with these Articles of Association and drafts the amendment proposal, or a Shareholders puts forward a motion to amend the Articles of Association;

(2) the Shareholders are notified of the amendment proposal and a general meeting is convened to vote thereon;

(3) the amendments submitted to the general meeting for a vote shall be adopted by a special resolution.

If an amendment to these Articles of Association involves matters provided for in the Mandatory Provisions, it shall become effective upon approval by the approving authority that is delegated by the State Council and the securities authorities of the State Council. If an amendment to these Articles of Association involves a registered particular of the Company, registration of the change shall be carried out in accordance with the laws.

NOTICE AND ANNOUNCEMENT

Notices (for the purposes of this Chapter, the term "notice" includes Company communications and other written materials) of the Company may be given or provided by one or more of the following means:

(1) by hand;

(2) by mail;

(3) by such electronic means as e-mail, fax, etc. or on information media;

(4) by way of a public announcement;

(5) other means recognized by the securities regulator of the place where the Shares of the Company are listed or specified in these Articles of Association.

DISPUTE RESOLUTION

The Company shall comply with the following rules for dispute resolution:

(1) If any dispute or claim that concerns Company affairs and is based on rights or obligations provided for in these Articles of Association, the Company Law or other relevant laws, administrative regulations arises between a holder of overseas listed foreign shares and the Company, between a holder of overseas listed foreign shares and a Director, a Supervisor, the President or other senior management members of the Company or between a holder of overseas listed foreign shares and a holder of Domestic shares, the parties concerned shall submit the dispute or claim to arbitration.

When a dispute or claim as described above is submitted to arbitration, the dispute or claim shall be submitted in its entirety, and all persons (being the Company or Shareholders, Directors, Supervisors, the President or other senior management members of the Company) that have a cause of action due to the same facts or whose participation is necessary for the resolution of such dispute or claim shall submit to arbitration.

Disputes regarding the definition of Shareholders and the register of Shareholders may be resolved by means other than arbitration.

(2) A dispute or claim submitted to arbitration may be arbitrated, at the option of the arbitration applicant, by either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Centre in accordance with its securities arbitration rules. After the arbitration applicant has submitted the dispute or claim to arbitration, the other party must submit to the arbitration institution selected by the applicant. If the arbitration applicant opts for arbitration by the Hong Kong International Arbitration Centre, either party may request arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the Hong Kong International Arbitration Centre.

(3) Unless otherwise provided by laws or administrative regulations, PRC laws (excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan) shall apply to the resolution by arbitration of disputes or claims referred to in item (1).

(4) The award of the arbitration institution shall be final and binding upon each party.

1. FURTHER INFORMATION ABOUT OUR COMPANY

A. Incorporation

The Predecessor of our Company, Hebei Construction Group Co., Ltd. (河北建設集團有限公司) was established as a limited liability company in the PRC on September 29, 1997. Pursuant to the promoters' agreement entered into between Zhongru Investment and Qianbao Investment on March 28, 2017 and upon approvals by the shareholders' general meeting held on March 31, 2017, the Company was incorporated in the PRC on April 7, 2017 through conversion into a joint stock company with limited liability from Hebei Construction Group Co., Ltd. with a registered capital of RMB1,300,000,000. Our Company has established a principal place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, and has been registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on June 21, 2017. Ms. Wong Wai Ling has been appointed as the Company's authorized representative for the acceptance of service of process in Hong Kong. As our Company is incorporated in the PRC, its corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of the Articles of Association of the Company is set out in Appendix VI to this prospectus. A summary of certain relevant aspects of the laws and regulations of the PRC and Hong Kong is set out in Appendix V to this prospectus.

B. Changes in Share Capital

Our Predecessor, Hebei Construction Group Co., Ltd., was established on September 29, 1997 with an initial registered capital of RMB150,000,000, which has been fully paid up. The following sets out the changes of our share capital since the date of our incorporation:

(a) On December 5, 2000, our registered capital was increased to RMB300,000,000;

(b) On July 13, 2001, our registered capital was increased to RMB395,257,700;

(c) On March 11, 2009, our registered capital was increased to RMB400,000,000;

(d) On August 17, 2010, our registered capital was decreased to RMB269,799,600;

(e) On August 26, 2010, our registered capital was increased to RMB400,000,000;

(f) On March 7, 2014, our registered capital was increased to RMB550,000,000;

(g) On June 5, 2014, our registered capital was increased to RMB800,000,000;

(h) On November 26, 2014, our registered capital was increased to RMB1,200,000,000;

(i) On February 22, 2017, our registered capital was increased to RMB1,300,000,000; and

(j) On April 7, 2017, our Company was incorporated in the PRC through conversion into a joint stock company from Hebei Construction Group Co., Ltd. Upon the conversion, our registered capital was RMB1,300,000,000.

For details of changes in our share capital, please see “History, Reorganization and Corporate Structure”.

Upon completion of the Global Offering, but without taking into account any H Shares which may be issued pursuant to the exercise of the Over-allotment Option, our Company’s registered capital will be increased to approximately RMB1,733,334,000, comprising 1,300,000,000 Domestic Shares and 433,334,000 H Shares fully paid up or credited as fully paid up, representing 75.0% and 25.0% of our registered capital, respectively.

Save as aforesaid, there has been no alteration in our Company’s share capital since our Company’s establishment.

C. The 2016 Annual General Meeting of the Company Held on June 5, 2017

At the annual general meeting for 2016 of the Company held on June 5, 2017, among other things, the following resolutions were passed by the Shareholders of our Company, respectively:

(a) the issue by our Company of the H Shares of nominal value of RMB1.00 each up to 433,334,000 Shares, accounting for 25% of the Company’s enlarged share capital after the issuance (without taking into account the H Shares which may be issued up on the exercise of the Over-allotment Option) and such H Shares being listed on the Stock Exchange; and

(b) subject to the completion of the Global Offering, the Articles of Association effective on the Listing Date has been adopted, and the Board has been authorized to amend the Articles of Association in accordance with relevant laws and regulations and upon the request from the Stock Exchange and relevant PRC regulatory authorities.

D. Our Reorganization

In preparation for the Global Offering, we have undergone our Reorganization, details of which are set out in “History, Reorganization and Corporate Structure” in this prospectus. As advised by the Company’s PRC legal advisors, Jia Yuan Law Offices, save as disclosed in this prospectus, we have obtained all the necessary approvals from, and have duly filed with competent PRC government authorities with respect to the Reorganization. The Reorganization complies with all applicable laws, rules and regulations.

E. Change in Share Capital of Our Company's Subsidiaries

Our Company's subsidiaries (for the purpose of the Listing Rules) as of the Latest Practicable Date are set out in "Appendix I – Accountants' Report". The following alteration in the registered capital of our Company's subsidiaries has taken place within the two years preceding the date of this prospectus:

1. On January 26, 2017, Zhongwei Construction Engineering Co., Ltd. (中為建築工程有限公司) transferred its 48.98% equity interest of Baoding Zhongcheng to the Company. Upon the completion of the transfer, the Company held 100% equity interest of Baoding Zhongcheng;

2. On February 15, 2017, Baoding Zhongcheng and HCG Garden Engineering transferred their 1.47% and 48.53% equity interest of HCG Decoration Engineering, respectively, to the Company. Upon the completion of the transfer, the Company held 100% equity interest of HCG Decoration Engineering;

3. On March 1, 2017, Zhongru Investment transferred its 20% equity interest of Yuncai Network Technology Co., Ltd. (雲采網絡技術有限公司) to the Company. Upon the completion of the transfer, the Company held 80% equity interest of Yuncai Network Technology Co., Ltd.;

4. On March 9, 2017, HCG Installment Engineering transferred its 47.619% equity interest of HCG Zhuocheng Road and Bridge Engineering to the Company and Baoding Zhongcheng. Upon the completion of the transfer, the Company and Baoding Zhongcheng held 95.238% and 4.762% equity interest of HCG Zhuocheng Road and Bridge Engineering, respectively;

5. On March 17, 2017, Hebei Guangxia Property Co., Ltd. (河北廣廈物業有限公司) transferred its 40% equity interest of Hebei Zhongcheng Shuishiyuan Hotel Management Co., Ltd. (河北中誠水石源酒店管理有限公司) to Zhongcheng Real Estate. Upon the completion of the transfer, Zhongcheng Real Estate held 100% equity interest of Hebei Zhongcheng Shuishiyuan Hotel Management Co., Ltd.;

6. On May 18, 2017, Zhongru Investment transferred its 39.5% equity interest of Hebei Zhongru Software Technology Co., Ltd. (河北中儒軟件科技股份有限公司) to 32 individuals including Liu Xueping, of which the highest shareholding for a single shareholder is 11.75%. Upon the completion of the transfer, the Company held 60.5% equity interest of Hebei Zhongru Software Technology Co., Ltd. and the remaining 39.5% equity interest is held by 32 individuals including Liu Xueping.

7. On July 11, 2017, HCG Decoration Engineering increased its registered capital to RMB101,000,000.

Save as disclosed above, there has been no other alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this prospectus.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material:

(1) an equity transfer agreement dated December 19, 2016 entered into between the Company and Hebei Kangmao Food Co., Ltd. (河北康茂食品有限公司), pursuant to which, the Company agreed to transfer its 51% equity interest in Baoding Hanhua New Energy Technology Co., Ltd. (保定漢華新能源科技有限公司) to Hebei Kangmao Food Co., Ltd. at the consideration of RMB18.5 million;

(2) an equity transfer agreement dated December 20, 2016 entered into between the Company, Ms. Zhang Cuihong (張翠紅) and Baoding City Rural Credit Cooperative (保定市市區農村信用合作聯社), pursuant to which, the Company agreed to transfer its 50,000 shares in Baoding City Rural Credit Cooperative to Ms. Zhang Cuihong at the face value of the shares;

(3) an equity transfer agreement dated December 26, 2016 entered into between the Company and Baoding Changcheng Venture Capital Co., Ltd. (保定市長城創業投資有限公司), pursuant to which, the Company agreed to transfer its 8% (i.e., RMB80 million) equity interest in Hebei Baocang Expressway Co., Ltd. (河北保滄高速公路有限公司) to Baoding Changcheng Venture Capital Co., Ltd. at the consideration of RMB126 million;

(4) the Reorganization Agreement dated January 5, 2017 entered into between the Company, Zhongru Investment, Qianbao Investment and Zhongming Zhiye in relation to the reorganization of the Group, details of which are set out in the section headed "History, Reorganization and Corporate Structure – Reorganization – Business Restructuring – 1. Disposal of Certain Assets, Liabilities and Entities" in this prospectus;

(5) an equity transfer agreement dated March 20, 2017 entered into between the Company and Zhongwei Construction Engineering Co., Ltd. (中為建築工程有限公司), pursuant to which, the Company agreed to transfer its 20 million shares (representing 20% of the registered capital) in Baoding Lianchi Zhongzhou Micro Loan Co., Ltd. (保定市蓮池區中州小額貸款有限公司) to Zhongwei Construction Engineering Co., Ltd. at the consideration of RMB20 million;

(6) an equity transfer agreement dated March 29, 2017 entered into between Hebei Construction Group Tianchen Construction Engineering Co., Ltd. (河北建設集團天辰建築工程有限公司) and Mr. Zhang Hongwei (張宏偉), pursuant to which, Hebei Construction Group Tianchen Construction Engineering Co., Ltd. agreed to transfer its equity interest of RMB17.5 million (representing 35% of the registered capital) in Tangshan Haigang Zhongcheng Investment Construction Co., Ltd. (唐山海港中誠投資建設有限公司) to Mr. Zhang Hongwei;

(7) an equity transfer agreement dated March 29, 2017 entered into between the Company and Mr. Zhang Hongwei (張宏偉), pursuant to which, the Company agreed to transfer its equity interest of RMB22.5 million (representing 45% of the registered capital) in Tangshan Haigang Zhongcheng Investment Construction Co., Ltd. (唐山海港中誠投資建設有限公司) to Mr. Zhang Hongwei;

(8) an equity transfer agreement dated April 27, 2017 entered into between the Company and Ms. Yang Shuang (楊爽), pursuant to which, the Company agreed to transfer its 51% equity interest (i.e., RMB12.75 million) in Hebei Construction Group Liaoning Engineering Co., Ltd. (河北建設集團遼寧工程有限公司) to Ms. Yang Shuang at the consideration equal to the registered capital;

(9) an equity transfer agreement dated May 18, 2017 entered into between the Company and Mr. Fu Yanhui (符艷輝), pursuant to which, the Company agreed to transfer 100% equity interest (i.e., RMB5 million) it subscribed in Hebei Construction Group Heilongjiang Construction Engineering Co., Ltd. (河北建設集團黑龍江建築工程有限公司) to Mr. Fu Yanhui;

(10) the Statement and Undertaking in relation to Assets dated June 19, 2017 issued by Mr. Li Baoyuan (李寶元), Zhongru Investment and Qianbao Investment in relation to, among others, indemnity undertakings for defective titles of leased land, leased buildings and owned buildings of the Group, details of which are set out in the section headed "Appendix VII – Statutory and General Information – 4. Other Information – A. Indemnity" in this prospectus;

(11) the Non-competition Undertaking dated November 23, 2017 issued by Mr. Li Baoyuan (李寶元), Zhongru Investment and Qianbao Investment, details of which are set out in the section headed "Relationship with Controlling Shareholders – Non-competition Undertaking";

(12) the Controlling Shareholders' Undertaking dated November 23, 2017 issued by Mr. Li Baoyuan (李寶元), Zhongru Investment and Qianbao Investment in relation to, among others, indemnity undertakings for certain non-compliance incidents of the Group and certain unsettled guarantees provided to third parties by the Group, details of which are set out in the section headed "Appendix VII – Statutory and General Information – 4. Other Information – A. Indemnity" in this prospectus;

(13) a cornerstone investment agreement dated December 1, 2017 entered into between the Company, Zhongji Investment Co., Ltd. (中冀投資股份有限公司), China International Capital Corporation Hong Kong Securities Limited and CMB International Capital Limited, pursuant to which Zhongji Investment Co., Ltd. agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 H Shares) which may be purchased with an aggregate amount of RMB300,000,000 at the Offer Price; and

(14) the Hong Kong Underwriting Agreement.

B. Our Intellectual Property Rights

(a) Trademarks – registered

As of the Latest Practicable Date, our Group has registered the following trademarks which we consider to be or may be material to our business:

No.	Registrant	Name of Trademark	Registration number	Category and merchandise	Place of registration	Date of registration
1.	The Company	河北建设	304045888	6, 19, 36, 37, 42	Hong Kong	February 13, 2017
2.	The Company	HEBEI JIANSHE	304045897	6, 19, 36, 37, 42	Hong Kong	February 13, 2017

(b) Trademarks – applied

As of the Latest Practicable Date, our Group has applied for registration of the following trademarks which we consider to be or may be material to our business:

No.	Applicant	Name of trademark	Registration number	Category and merchandise	Place of registration	Date of application	Date of acceptance
1	The Company		23070770	19	PRC	March 8, 2017	April 13, 2017
2	The Company		23070070	15	PRC	March 8, 2017	April 13, 2017
3	The Company		23079194	14	PRC	March 9, 2017	April 12, 2017
4	The Company		23069669	7	PRC	March 8, 2017	April 13, 2017

No.	Applicant	Name of trademark	Registration number	Category and merchandise	Place of registration	Date of application	Date of acceptance
5	The Company		23070138	13	PRC	March 8, 2017	April 13, 2017
6	The Company		23070413	16	PRC	March 8, 2017	April 13, 2017
7	The Company		23070045	11	PRC	March 8, 2017	April 13, 2017
8	The Company		23069959	9	PRC	March 8, 2017	April 13, 2017
9	The Company		23070062	12	PRC	March 8, 2017	April 13, 2017
10	The Company		23067380	5	PRC	March 8, 2017	April 13, 2017
11	The Company		23070563	18	PRC	March 8, 2017	April 13, 2017
12	The Company		23069252	6	PRC	March 8, 2017	April 13, 2017
13	The Company		23067210	3	PRC	March 8, 2017	April 13, 2017
14	The Company		23066524	1	PRC	March 8, 2017	April 13, 2017
15	The Company		23070783	20	PRC	March 8, 2017	April 13, 2017

No.	Applicant	Name of trademark	Registration number	Category and merchandise	Place of registration	Date of application	Date of acceptance
16	The Company		23067534	4	PRC	March 8, 2017	April 13, 2017
17	The Company		23069710	8	PRC	March 8, 2017	April 13, 2017
18	The Company		23066702	2	PRC	March 8, 2017	April 13, 2017
19	The Company		23070604	17	PRC	March 8, 2017	April 13, 2017
20	The Company		23070018	10	PRC	March 8, 2017	April 13, 2017

(c) Patents-registered

As of the Latest Practicable Date, our Group owns the following patents which we consider to be or may be material to our business:

No.	Name of patent	Patent number/ Application number	Category	Patent owner	Place of registration	Date of grant	Duration of patent right
1.	A type of kind of residual asphalt cleaning device for paver vibrators (一種攤鋪機振搗器殘留瀝青清洗裝置)	ZL201120009897.6	Utility model	The Company	PRC	September 7, 2011	10 years
2.	A type of structure interface applied to hyperboloid bolt ball grid ceilings (一種應用於雙曲螺栓球網架下吊頂的結構連接體)	ZL201420031468.2	Utility model	The Company	PRC	July 23, 2014	10 years

No.	Name of patent	Patent number/ Application number	Category	Patent owner	Place of registration	Date of grant	Duration of patent right
3.	A type of bridge pile foundation reinforcement cage with pile foundation centering device (一種帶樁基中心對正裝置橋樑樁基鋼筋籠)	ZL201420680454.3	Utility model	The Company	PRC	April 22, 2015	10 years
4.	A type of automatic spraying dust-falling device (一種自動噴淋降塵裝置)	ZL201520415500.1	Utility model	The Company	PRC	October 21, 2015	10 years
5.	A type of reinforcement part for construction of airport pavement (一種用於機場場道道面施工的加固件)	ZL201520597847.2	Utility model	The Company	PRC	December 30, 2015	10 years
6.	Umbrella-type template supporting system (傘型模板支撐系統)	ZL201521072828.4	Utility model	The Company	PRC	June 15, 2016	10 years
7.	Reinforcement protective layer thickness controller at hogging moment of steel reinforced concrete cast-in-place plates (鋼筋砼現澆板負彎矩鋼筋保護層厚度控制器)	ZL200910162110.7	Invention	The Company, HCG Tianchen Construction Engineering	PRC	January 5, 2011	20 years

No.	Name of patent	Patent number/ Application number	Category	Patent owner	Place of registration	Date of grant	Duration of patent right
8.	A type of concrete deposit partition joint structure and its construction method (一種澆築混凝土分隔縫結構及其施工方法)	ZL200710130392.3	Invention	The Company	PRC	June 25, 2008	20 years
9.	A type of elevator shaft formwork for high-rise buildings and its construction method (一種高層建築電梯井筒模及其施工方法)	ZL200710130393.8	Invention	The Company; Tianjin University	PRC	October 29, 2008	20 years
10.	Plate-like material stacking support tool holder (板類材料堆放支撐工具架)	ZL201210559424.2	Invention	The Company	PRC	May 20, 2015	20 years
11.	Tool-type square steel pipe fixing device and its construction method (工具式方鋼管緊固件及施工方法)	ZL201210584256.2	Invention	The Company	PRC	August 5, 2015	20 years
12.	A type of inverted frustum construction method (一種倒棱臺施工方法)	ZL201110461837.2	Invention	The Company	PRC	April 20, 2016	20 years
13.	A type of steel bar straightener which prevents dust pollution (一種可防止粉塵污染的鋼筋調直機)	ZL201410846769.5	Invention	The Company	PRC	August 31, 2016	20 years

No.	Name of patent	Patent number/ Application number	Category	Patent owner	Place of registration	Date of grant	Duration of patent right
14.	Simple bending device for large-diameter steel pipes (大直徑鋼管簡易彎管裝置)	ZL201110461836.8	Invention	The Company	PRC	July 6, 2016	20 years
15.	Component capable of preventing an expansion joint in a glass roof from being cracked and leaking water and its application (防止玻璃屋面伸縮縫開裂漏水的組件及其應用)	ZL201210589375.7	Invention	The Company, HCG Decoration Engineering	PRC	June 30, 2015	20 years
16.	A type of tower crane spray device for automatic dust control (一種自動控制揚塵的塔吊噴灑裝置)	ZL201520698667.3	Utility model	The Company	PRC	January 6, 2016	10 years
17.	A type of fabricated device for hoisting composite slabs (一種裝配式疊合板吊裝裝置)	ZL201520698668.8	Utility model	The Company	PRC	February 17, 2016	10 years
18.	A type of HVAC motor (一種暖通空調用電機)	ZL201620736662.X	Utility model	HCG Installment Engineering	PRC	December 21, 2016	10 years
19.	A type of connecting structure for fast positioning and installation of PC pre-wall panels (一種PC預牆板的快速定位安裝連接結構)	ZL201620379144.7	Utility model	Hebei Zhongru Software Technology Co, Ltd. (河北中儒軟件科技股份有限公司), the Company	PRC	November 23, 2016	10 years

No.	Name of patent	Patent number/ Application number	Category	Patent owner	Place of registration	Date of grant	Duration of patent right
20.	A type of intercepting well (一種截流井)	ZL201510433794.5	Invention patent	Agricultural University of Hebei Province, the Company	PRC	February 1, 2017	20 years
21.	A type of eco-friendly road construction device (一種環保型道路施工裝置)	ZL201510440483.1	Invention patent	Hebei University of Science and Technology, HCG Zhuocheng Road and Bridge Engineering	PRC	March 22, 2017	20 years
22.	Device for fast assembly and disassembly of wall internal corner formwork (牆體陰角模板快速安拆裝置)	ZL201510070087.4	Invention patent	HCG Installment Engineering, Baoding Beishi District Qingjiang Construction Machinery Factory (保定市北市區青江建築機械製造廠)	PRC	July 4, 2017	20 years
23.	Support frame for fast assembly of wall formwork (牆模板快速安裝支撐架)	ZL201510124131.5	Invention patent	HCG Installment Engineering, Baoding Beishi District Qingjiang Construction Machinery Factory (保定市北市區青江建築機械製造廠)	PRC	July 18, 2017	20 years

(a) Patents-applied

As of the Latest Practicable Date, our Group has applied for registration of the following patents which we consider to be or may be material to our business:

No.	Name of patent under application	Application number	Category	Applicant of patent	Place of registration	Date of application
1	A type of mounting structure for electromechanical pipelines in complex areas (一種適用於複雜區域機電管路的安裝結構)	ZL201610901940.7	Invention	Hebei Zhongru Software Technology Co, Ltd. (河北中儒軟件科技股份有限公司), the Company	PRC	October 17, 2016
2	A type of reinforcement protective layer pad for wall cement deposit and its construction method (一種牆體水泥澆築用鋼筋保護層墊塊及施工方法)	ZL201510938565.9	Invention	The Company	PRC	December 17, 2015
3	A type of device for perpendicularity measurement of shear wall and frame column formwork (一種剪力牆及框架柱模板垂直度測量裝置)	ZL201510661591.1	Invention	The Company	PRC	October 15, 2015
4	A type of permeable concrete and its preparation method (一種透水混凝土及其製備方法)	ZL201310666283.9	Invention	The Company	PRC	December 11, 2013

No.	Name of patent under application	Application number	Category	Applicant of patent	Place of registration	Date of application
5	Construction method of inorganic thermal insulation board (無機保溫板的施工方法)	ZL201310666961.1	Invention	The Company	PRC	December 11, 2013
6	Long-range rod piece sorting vehicle for construction (工程用長向杆件分揀車)	ZL201310330675.8	Invention	The Company	PRC	August 1, 2013
7	Construction method of self-adhesive waterproof coiled materials (自粘防水卷材的施工方法)	ZL201310672813.0	Invention	The Company	PRC	December 12, 2013

(b) Software Copyrights

As of the Latest Practicable Date, we have registered the following software copyrights which we consider to be material to our business:

Software	Proprietor	Registration certificate number	Registration date
Construction Project Integrated Management Platform and Synergetic Office Management System V1.3	The Company	Ruan Zhu Deng Zi No. 0987817	June 8, 2015
Tekla Structures Software Auxiliary Calculation Plug-in V1.1.0	The Company	Ruan Zhu Deng Zi No. 1965150	July 18, 2017
VDC Virtual Construction Platform V1.3	The Company, Tongji University	Ruan Zhu Deng Zi No. 2164489	October 20, 2017

(c) Domain Name

As of the Latest Practicable Date, our Group has registered the following domain names which we consider to be or may be material to our business:

Domain Name	Expiry Date
hebjs.com.cn	June 21, 2026
hebzs.net	April 11, 2018
zgsgycw.com	September 17, 2018
zhongchengfdc.com	January 7, 2019
天辰建築.公司	June 12, 2025
zrbim.com	March 23, 2026

3. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

A. Directors and Supervisors

(a) Disclosure of Interest

Immediately following completion of the Global Offering and assuming the Over-allotment Option is not exercised, the interests and short positions of each of our Directors, Supervisors and President in shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has 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 will be required, pursuant to the Model Code for Securities Transactions by Directors and Listed Issuers to be notified to us and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

(i) Interest in our Company

Name	Position	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate percentage of shareholding interests immediately prior to the Global Offering	Approximate percentage of shareholding interests immediately after the Global Offering (assuming the Over-Allotment Option is not Exercised)	Approximate percentage of shareholding interests immediately after the Global Offering (assuming the Over-Allotment Option is Exercised in full)
Mr. Li Baoyuan (李寶元)	Honorary Chairman of the Board and Non-executive Director	Domestic Shares	1,300,000,000	Interest in controlled corporation	100%	75.0%	72.3%

(ii) Interest in our Associated Corporations

Name	Position in our Group	Name of Associated Corporations	Percentage Shareholding in our Associated Corporations
Mr. Li Baoyuan (李寶元) *(Note 1)*	Honorary Chairman of the Board and Non-executive Director	Qianbao Investment Zhongru Investment	90% 100%
Mr. Li Baozhong (李寶忠)	Chairman of the Board and Executive Director	Qianbao Investment	10%
Mr. Cao Qingshe (曹清社)	Vice Chairman of the Board and Non-executive Director	Zhongru Investment	2.1598%
Mr. Shang Jinfeng (商金峰)	Executive Director and President	Zhongru Investment	0.4320%
Ms. Liu Shuzhen (劉淑珍)	Executive Director, Vice President and Chief Economic Officer	Zhongru Investment	0.8639%
Mr. Liu Yongjian (劉永建)	Executive Director and Vice President	Zhongru Investment	0.8639%
Mr. Mao Yuanli (毛元利)	Chairman of the Board of Supervisors and shareholder Supervisor	Zhongru Investment	0.4320%
Mr. Liu Jingqiao (劉景喬)	Employee Supervisor	Zhongru Investment	0.2160%
Mr. Yue Jianming (岳建明)	Employee Supervisor	Zhongru Investment	0.2160%

Note:

1. Mr. Li Baoyuan directly holds 90% of the equity interests in Qianbao Investment, which directly holds 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment have respectively undertaken that they have followed since the establishment of Zhongru Investment or when they became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings and all other rights of shareholders of Zhongru Investment. Therefore, Mr. Li Baoyuan, through Qianbao Investment, is deemed to be interested in 100% of the equity interests, or 231,000,000 shares, in Zhongru Investment.

(b) Particulars of Service Contracts

Each of the Directors has entered into a service contract with our Company on November 23, 2017. The principal particulars of these service agreements are (a) for a term of three years commencing from the Listing Date; and (b) are subject to termination in accordance with the irrespective terms. The service agreements may be renewed in accordance with the Articles of Association of the Company and the applicable laws, rules or regulations.

Each of the Directors and Supervisors has entered into a contract pursuant to Rule 19A.54 and Rule 19A.55 of the Listing Rules with our Company which provides for, among others, compliance of relevant laws and regulations, observations of the Articles of Association and provision on arbitration with our Company.

Save as disclosed above, none of the Directors or Supervisors of our Company has or is proposed to have a service contract with us (other than contracts expiring or determinable by the employer within one year without the payment of compensation other than statutory compensation).

(c) Directors' and Supervisors' Remuneration

For the three years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by our Company to the Directors were approximately RMB3,387,000, RMB4,365,000, RMB4,785,000 and RMB2,277,000, respectively. For the three years ended December 31, 2014, 2015 and 2016 and for the six months ended June 30, 2017, the aggregate amount of fees, salaries, allowances, discretionary bonus, pension-defined contribution plans and other benefits in kind (if applicable) paid by our Company to the Supervisors were approximately RMB1,169,000, RMB810,000, RMB852,000 and RMB633,000, respectively. Save as disclosed under Note 9 to the Accountants' Report set out in Appendix I to this prospectus, no Director or Supervisor received other remuneration or benefits in kind from our Company in respect of the three years ended December 31, 2014, 2015 and 2016.

Under the current arrangements, the Directors and Supervisors of our Company will be entitled to receive compensation (including remuneration and benefits in kind) from our Company for the year ending December 31, 2017, which is expected to amount to approximately RMB7,320,000 in total.

B. Substantial Shareholders

(a) Interest in the Shares of our Company

So far as our Directors are aware, immediately following the completion of the Global Offering (without taking into account the H shares which may be issued upon exercise of the Over-allotment Option), the following persons will have an interest or a short position in our Shares or underlying shares of our Company which would 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, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Class of Shares to be held after the Global Offering	Number of Shares to be held after the Global Offering	Nature of interest	Approximate percentage of shareholding in the relevant class of Shares after the Global Offering	Approximate percentage of shareholding in the total share capital of the Company after the Global Offering
Zhongru Investment	Domestic Shares	1,202,500,000	Beneficial owner	92.5%	69.4%
Qianbao Investment *(Note 1)*	Domestic Shares	1,300,000,000	Beneficial owner/ Interest in controlled corporation	100%	75.0%
Mr. Li Baoyuan *(Note 2)*	Domestic Shares	1,300,000,000	Interest in controlled corporation	100%	75.0%
Zhongji Investment *(note 3)*	H Shares	72,412,500 (Based on the Offer Price of HK$4.91 (being the mid-point of the Offer Price range)	Beneficial owner	16.7%	4.2%

Notes:

1. Qianbao Investment directly holds 7.5% of the equity interests in our Company and 43.63% of the equity interests in Zhongru Investment. In addition, each of the 119 individuals holding in aggregate the remaining 56.37% of the equity interests in Zhongru Investment has respectively undertaken that they have followed since the establishment of Zhongru Investment or when each of them became a shareholder of Zhongru Investment, and will continue to follow Qianbao Investment in exercising their voting powers at shareholders' general meetings and all other rights of shareholders of Zhongru Investment. Therefore, Qianbao Investment is deemed to be interested in 100% of the equity interests in Zhongru Investment and thus be interested in the 1,202,500,000 Shares held by Zhongru Investment for the purpose of Part XV of the SFO.

2. Mr. Li Baoyuan, a non-executive Director of the Company, directly holds 90% of the equity interests in Qianbao Investment, which directly and indirectly holds 100% of the equity interests in Zhongru Investment and directly holds 7.5% of the equity interests in our Company. Therefore, Mr. Li Baoyuan is deemed to be interested in 100% of the equity interests, or 231,000,000 shares, in Zhongru Investment and thus be interested in the 1,300,000,000 Shares directly and indirectly held by Zhongru Investment for the purpose of Part XV of the SFO.

3. Zhongji Investment will hold the Shares through designated entities (including qualified domestic institutional investor).

(b) Interest in our Company's Subsidiaries

So far as the Directors are aware, apart from our Company, the following persons (other than our Directors, Supervisors or President), immediately following completion of the Global Offering (and assuming the Over-allotment Option is not exercised), directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group (excluding our Group). All of such persons are Independent Third Parties.

Member of our Group	Person with 10% or more interest	Approximate percentage of the interest in the member of our Group
Hengshui Jizhou Jiuchen Construction and Development Co., Ltd. (衡水市冀州區九辰建設開發有限公司)	Hengshui Xindu Urban Construction Investment Co., Ltd. (衡水市信都城市建設投資有限公司)	20%
Baoding Tiane Real Estate Development Co., Ltd. (保定天鵝房地產開發有限公司)	Hi-tech Fiber Group Corporation (恒天纖維集團有限公司)	34%
Yuncai Network Technology Co., Ltd. (雲采網絡技術有限公司)	Beijing TsingTech Reachway Software Co., Ltd. (北京清科銳華軟件有限公司)	20%

Member of our Group	Person with 10% or more interest	Approximate percentage of the interest in the member of our Group
Hebei Zhongru Software Technology Co., Ltd. (河北中儒軟件科技股份有限公司)	Li Shuangbao (李雙寶)	11.75%
Anping County Xinjian Construction Engineering Co., Ltd. (安平縣鑫建建設工程有限公司)	Anping County Zeyuan Urban Construction Development Co., Ltd. (安平縣澤源城市建設開發有限公司)	20%
Hebei Hefu Construction Engineering Co., Ltd. (河北合符建設工程有限公司)	Zeng Xiaoping (曾小平)	40%
Hebei Wenguang Property Service Co., Ltd. (河北文廣物業服務有限公司)	Beijing Darwin International Hotel Property Management Co., Ltd. (北京達爾文國際酒店物業管理有限公司)	49%
Baoding Chengze Real Estate Development Co., Ltd. (保定市誠澤房地產開發有限公司)	Hebei Zhongze Real Estate Development Co., Ltd. (河北中澤房地產開發有限公司)	49%
Yi County Shengji Real Estate Development Co., Ltd. (易縣盛基房地產開發有限公司)	Beijing Zhongke Runye Technology Development Co., Ltd. (北京中科潤業科技發展有限公司)	19%
	Song Haisheng (宋海生)	29%
Baoding Taiji Real Estate Development Co., Ltd. (保定市泰基房地產開發有限公司)	Baoding High-tech Zone Daizhuang Yongtai Fruits and Vegetables Cooperatives (保定市高新區代莊永泰果蔬專業合作社)	15%
Xian Zhongyuan Real Estate Development Co., Ltd. (西安中遠房地產開發有限公司)	Lantian County Xingang Xibei Furniture Industrial Park Development Group Co., Ltd. (藍田縣新港西北家具工業園建設開發集團有限公司)	20%

Member of our Group	Person with 10% or more interest	Approximate percentage of the interest in the member of our Group
Rongcheng County Zhongbo Real Estate Development Co., Ltd. (容城縣中博房地產開發有限公司)	Hebei Boao Real Estate Development Co., Ltd. (河北省博奧房地產開發有限公司)	40%
Huailai Zhongcheng Real Estate Development Co., Ltd. (懷來中誠房地產開發有限公司)	Huailai Shenya Real Estate Sales Co., Ltd. (懷來紳雅房地產銷售有限公司)	36%
Huailai Jingsheng Real Estate Development Co., Ltd. (懷來縣京盛房地產開發有限公司)	Huailai Liangyuan Trading Co., Ltd. (懷來良遠商貿有限公司)	20%
	Huailai Zhongcheng Concrete Co., Ltd. (懷來中誠混凝土有限公司)	19%
	Wang Jun (王君)	10%
Luanping Zhongcheng Real Estate Development Co., Ltd. (灤平中誠房地產開發有限公司)	Guangdong Kaihui Commerce Co., Ltd. (廣東凱匯商業有限公司)	44%
Hebei Zhongcheng Zhiyuan Land Consolidation Service Co., Ltd. (河北中誠智園土地整理服務有限公司)	Beijing Yihe Taide Technology Development Co., Ltd. (北京頤和泰德科技發展有限公司)	35%
	Beijing Zhongke Runye Technology Development Co., Ltd. (北京中科潤業科技發展有限公司)	29%
Haiyang Longhai Automotive Innovation Park Development Co., Ltd. (海陽市隆海汽車創新園發展有限公司)	Haiyang Blueocean Investment Co., Ltd. (海陽市藍海投資有限公司)	10%

Member of our Group	Person with 10% or more interest	Approximate percentage of the interest in the member of our Group
Dangshan Aoxiang General Aviation Industry Development Co., Ltd. (碭山翱翔通用航空工業發展有限公司)	Dangshan County Construction Investment Co., Ltd. (碭山縣建設投資有限公司)	20%
Baoding Zhucheng Real Estate Development Co., Ltd. (保定築誠房地產開發有限公司)	Beijing Country Garden Phoenix Property Development Co., Ltd. (北京碧桂園鳳凰置業發展有限公司)	49%

C. Personal Guarantees

Save as disclosed in this prospectus, as of the Latest Practicable Date, our Directors and Supervisors have not provided personal guarantees in favor of lenders in connection with banking facilities granted to us.

D. Agency Fees or Commissions Paid or Payable

Save as disclosed in "Underwriting" in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries within the two years ended on the date of this prospectus.

E. Related Party Transactions

During the two years preceding the date of this prospectus, we have engaged in the material related party transactions as described in Note 43 – Related Party Transactions to the Accountants' Report set out in Appendix I to this prospectus.

F. Disclaimers

Save as disclosed in this prospectus:

(a) none of the Directors, Supervisors or chief executive of our Company has any interests and short positions in our Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for

Securities Transactions by Directors and Listed Companies to be notified to us and the Stock Exchange, in each case once the H Shares of our Company are listed. For this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors;

(b) none of the Directors or Supervisors nor any of the parties listed in the paragraph headed "– Qualification of Experts" of this Appendix is interested in our Company's promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to our Company, or are proposed to be acquired or disposed of by or leased to our Company;

(c) none of the Directors or Supervisors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are listed on the Stock Exchange; save as disclosed in this prospectus, none of the Directors or Supervisors of our Company nor any of the parties listed in paragraph headed "Qualification of Experts" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(d) none of the parties listed in the paragraph headed "Qualification of Experts" of this Appendix: (i) is interested legally or beneficially in any of the Shares of our Company or any shares in any of its subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for the securities of our Company; and

(e) none of the Directors or Supervisors or the respective close associates or any Shareholders (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

4. OTHER INFORMATION

A. Indemnity

(a) The Statement and Undertaking in relation to Assets

Pursuant to the statement and undertaking in relation to assets dated June 19, 2017, given by the Controlling Shareholders (the "**Statement and Undertaking in relation to Assets**"), the Controlling Shareholders have acknowledged and undertaken, among others, that:

(1) for certain of our leased land of which the lessors had not obtained relevant ownership certificates, the Controlling Shareholders have undertaken to procure the Company and its relevant subsidiaries to proceed with rectifying procedures as soon as practicable. In case of any legal liabilities we assumed or any costs, taxes, expenses, claims, penalties we incurred or suffered or any loss we suffered from disruptions of our normal productions and operations due to such defective titles, the Controlling Shareholders will fully indemnify us;

(2) for certain of our owned and leased buildings with defective titles, of which we or the lessors of such buildings had not obtained the building ownership certificates, the Controlling Shareholders have undertaken to procure the Company and its relevant subsidiaries to proceed with rectifying procedures as soon as practicable. In case of any legal liabilities we assumed or any costs, taxes, expenses, claims, penalties we incurred or suffered or any losses we suffered from disruptions of our normal productions and operations due to such owned and leased buildings with defective titles, the Controlling Shareholders will fully indemnify us; and

(3) for certain land or buildings we leased from Zhongming Zhiye, our Controlling Shareholders have undertaken that Zhongming Zhiye has legal and valid use rights or ownerships, and that such land or buildings can be used by us without controversies. The Controlling Shareholders have also undertaken that Zhongming Zhiye will not unilaterally prevent the Company and its subsidiaries from using such land or buildings or refuse to enter into or renew leasing contracts with us, so as to ensure that our normal productions and operations will not be affected. The Controlling Shareholders will bear the responsibilities to settle all disputes arising from such land or buildings we leased from Zhongming Zhiye, and in case of any legal liabilities we assumed or any costs, taxes, expenses, claims, penalties we incurred or suffered or any losses we suffered from disruptions of our normal productions and operations due to such land or buildings we leased from Zhongming Zhiye, the Controlling Shareholders will fully indemnify us.

(b) The Controlling Shareholders' Undertaking

Pursuant to the undertaking dated November 23, 2017, given by the Controlling Shareholders (the "**Controlling Shareholders' Undertaking**"), the Controlling Shareholders have acknowledged and undertaken, among others, that:

(1) in the event that the Company and its subsidiaries are required by relevant local governmental departments in charge of social insurance or housing provident funds, or by the employees of the Company and its subsidiaries, to pay the social insurance (including pension, medical, unemployment, occupational injury and maternity insurances) and housing provident fund payable for any period prior to the Listing in accordance with laws, the Controlling Shareholders have undertaken to fully indemnify us for any legal liabilities we assume or any costs, taxes, expenses, claims, penalties we incur or any losses we suffer from disruptions of our normal productions and operations due to accountabilities by relevant governmental departments since the date of the Controlling Shareholders' Undertaking;

(2) for Zhongcheng Jingdian property development project (中誠•晶典項目, "**Jingdian Project**") of our subsidiary, Zhongcheng Real Estate Development Co., Ltd. (中誠房地產開發股份有限公司), which was not in compliance with the relevant terms of the land grant contract and was commenced without obtaining the construction work planning permit and construction work commencement permit, the Controlling Shareholders have undertaken to fully indemnify us for any legal liabilities we assume or any costs, taxes, expenses, claims, penalties we incur or any losses we suffer from disruptions of our normal productions and operations due to accountabilities by relevant governmental departments since the date of the Controlling Shareholders' Undertaking; and

(3) for unsettled guarantees provided to third parties by us as of the date of our application for the Listing, the Controlling Shareholders will fully indemnify us for any legal liabilities we assume or any costs, taxes, expenses, claims, penalties we incur or any loss we suffer from disruptions of our normal productions and operations due to failure of repayment of the facilities by those third parties.

(c) The Reorganization Indemnity Undertaking

Pursuant to the indemnity undertaking given by Zhongru Investment, Qianbao Investment and Zhongming Zhiye as set out in the Reorganization Agreement (the "**Reorganization Indemnity Undertaking**"):

(1) Zhongru Investment, Qianbao Investment and Zhongming Zhiye fully acknowledged and accepted the condition of the disposed assets and/or interests as at the settlement date under the Reorganization Agreement, and will not raise any legal claim against the transferors or the Company or the Company's predecessor or unilaterally request the termination, cancellation or modification of any terms under the Reorganization Agreement due to defects of such disposed shares and assets. In any event that any claims from any third party against the transferors or the Company or the Company's predecessor in relation to the disposed entities and assets after the settlement date under the Reorganization Agreement, Zhongming Zhiye (or its controlled subsidiaries) will, and Zhongru Investment and Qianbao Investment will take several and joint liabilities to, fully indemnify the transferors or the Company or the Company's predecessor for any losses, claims, penalties, fines and/or expenses incurred or suffered therefrom;

(2) Zhongming Zhiye (or its controlled subsidiaries) shall bear any losses, claims, penalties, fines and/or expenses arising from delay in settlement or change of registration of the disposed entities and assets under the Reorganization Agreement due to its own reason or defects of such disposed entities and assets. Zhongming Zhiye (or its controlled subsidiaries) shall not unilaterally request the termination, cancellation or modification of any terms under the Reorganization Agreement due to delay in change of registration of the disposed assets and/or interests, and shall continue to perform all obligations under the Reorganization Agreement. Zhongming Zhiye (or its controlled subsidiaries) will, and Zhongru Investment and Qianbao Investment will take several and joint liabilities to, fully indemnify the transferors or the Company or the Company's predecessor for any losses, claims, penalties, fines and/or expenses incurred or suffered due to such events stipulated therein; and

(3) Zhongming Zhiye (or its controlled subsidiaries) will, after the settlement date under the Reorganization Agreement, be responsible to bear and handle any disputes, unsettled litigations, arbitrations, penalties, compensations or any other contingent events in respect of the disposed shares (and such entities) or disposed assets before the settlement date as well as any possible events, relevant contingent debts, obligations or losses after the settlement date. Zhongming Zhiye (or its controlled subsidiaries) will not request the transferors or the Company or the Company's predecessor to bear and handle such events. Zhongming Zhiye (or its controlled subsidiaries) will, and Zhongru Investment and Qianbao Investment will

take several and joint liabilities to, fully indemnify the transferors or the Company or the Company's predecessor for any losses, claims, penalties, fines and/or expenses incurred or suffered due to such events stipulated therein.

B. Estate Duty

We have been advised that no material liability for estate duty under PRC law is likely to fall upon the Group.

C. Litigation

Save as disclosed in this prospectus, as at the Latest Practicable Date, our Group is not involved in any material litigation, arbitration or administrative proceedings. So far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

D. Joint Sponsors

The Joint Sponsors have made an application on behalf of the Company to the Listing Committee for listing of, and permission to deal in, the H Shares of the Company, including any additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option. All necessary arrangements have been made enabling the H 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.

Our Company has entered into an engagement agreement with each of the Joint Sponsors respectively, pursuant to which our Company agreed to pay US$885,000 and US$635,000 respectively to each of the Joint Sponsors to act as the sponsors to our Company in the Global Offering.

E. Compliance Advisor

Our Company have appointed Central China International Capital Limited as its compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

F. Preliminary Expenses

Our Company's preliminary expenses are approximately RMB6,300,000, and were borne by the Company.

G. Promoters

The promoters of the Company are Zhongru Investment and Qianbao Investment. For details of the promoters of the Company, please see "History, Reorganization and Corporate Structure".

Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit have been paid, allotted or given or have been proposed to be paid, allotted or given to the above promoters in connections with the Global Offering or related transactions in this prospectus.

H. Qualification of Experts

The qualifications of the experts are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	Licensed to conduct Type 1 (Dealing in securities), Type 2 (Dealing in futures contracts), Type 4 (Advising on securities), Type 5 (Advising on futures contracts) and Type 6 (Advising on corporate finance) of the regulated activities as defined under the SFO
CMB International Capital Limited	Licensed to conduct Type 1 (Dealing in securities) and Type 6 (Advising on corporate finance) of the regulated activities as defined under the SFO
Ernst & Young	Certified Public Accountants
Jia Yuan Law Offices	PRC legal advisors
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of the Company, including in circumstances where such transaction is effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is a total of HK$2.00 for every HK$1,000 (or part thereof) of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see “Appendix IV – Taxation and Foreign Exchange”.

J. No Material Adverse Change

The Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2016.

K. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all 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.

L. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

M. Miscellaneous

Save as disclosed in this prospectus,

(a) within the two years preceding the date of this prospectus, our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;

(b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the Sino-Foreign Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》);

(h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and

(i) none of the equity and debt securities of our Company, if any, is listed or dealt within any other stock exchange nor is any listing or permission to deal in other stock exchanges being or proposed to be sought.

N. Agency Fees or Commissions Paid or Payable

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

O. Consents

Each of the experts as referred to in the paragraph headed "– H. Qualification of Experts" in this Appendix has given, and has not withdrawn their written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in "Appendix VII – Statutory and General Information – 4. Other Information – O. Consents"; and

(c) a copy of each of the material contracts referred to in "Appendix VII – Statutory and General Information – 2. Further Information about our Business – A. Summary of Material Contracts".

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Clifford Chance at 27/F, Jardine House, One Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountant's Report prepared by Ernst & Young, the text of which is set out in "Appendix I – Accountants' Report";

(c) the consolidated audited financial statements of the Group for the three years ended December 31, 2014, 2015 and 2016 and the six months ended June 30, 2017;

(d) the report on the unaudited pro forma financial information from Ernst & Young, the text of which is set out in "Appendix II – Unaudited Pro Forma Financial Information";

(e) the property valuation report relating to property interests of the Company prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the text of which is set out in "Appendix III – Property Valuation Report";

(f) the PRC legal opinions issued by Jia Yuan Law Offices, the Company's PRC legal advisors in respect of our general matters and property interests;

(g) the market research report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;

(h) the material contracts referred to in "Appendix VII – Statutory and General Information -2. Further Information about our Business – A. Summary of our Material Contracts";

(i) the written consents referred to in "Appendix VII – Statutory and General Information – 4. Other Information – O. Consents";

(j) the service contracts referred to in the paragraph headed "Statutory and General Information – 3. Further Information about our Directors, Supervisors and Substantial Shareholders – A. Directors and Supervisors" in Appendix VII to this prospectus; and

(k) the Company Law, the Special Regulations and the Mandatory Provisions together with unofficial English translations thereof.

做有思想的企業

做有人格的法人

河北建設集團股份有限公司
HEBEI CONSTRUCTION GROUP CORPORATION LIMITED